

TOWN OF NANTUCKET, MASSACHUSETTS

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001 AND
INDEPENDENT AUDITORS' REPORTS THEREON
TOGETHER WITH SINGLE AUDIT REPORT**

COUNTY OF NANTUCKET, MASSACHUSETTS

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001 AND
INDEPENDENT AUDITORS' REPORTS THEREON**

**Thomas J. Scanlon
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Nantucket, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Nantucket, Massachusetts as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Town of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Nantucket Memorial Airport and the Wannacomet Water Department, which represents 55 percent and 46 percent, respectively, of the assets and revenues of the proprietary fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Nantucket Memorial Airport and the Wannacomet Water Department, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As is the practice of many governmental units in the Commonwealth of Massachusetts, the Town has not maintained a complete record of the cost of its general fixed assets and, accordingly, a complete general fixed assets account group, required by generally accepted accounting principles, is not presented in the accompanying general purpose financial statements.

In our opinion, based on our audit and the reports of other auditors, except for the omission of a complete general fixed asset group of accounts, results in an incomplete presentation, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Nantucket, Massachusetts, as of June 30, 2001 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2002 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Nantucket, Massachusetts, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The combining statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Nantucket, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
March 29, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Long Term Debt	(Memorandum Only)
Assets								
Cash and Cash Equivalents (Schedule G, Note 4A)	\$ 10,452,008	\$ 134,243	-	\$ 1,233,911	\$ 85,897	\$ 243,427	-	\$ 12,149,486
Investments (Schedule H, Note 4B)	3,371,793	-	-	6,331,726	-	5,196,072	-	14,899,591
Cash and Investments in Custody of Trustees (Note 4C)	-	-	-	-	-	70,583	-	70,583
Accounts Receivable:								
Property Taxes (Schedule I)	3,137,901	-	-	-	-	-	-	3,137,901
Excise Taxes (Schedule J)	598,275	-	-	-	-	-	-	598,275
Tax Liens (Schedule K)	1,245,402	-	-	-	-	-	-	1,245,402
Departmental (Schedule L)	100,749	302,392	-	1,195,038	-	-	-	1,598,179
User Charges (Schedule M)	76,320	-	-	1,300,739	-	-	-	1,377,059
Special Assessments (Schedule N)	473	-	-	-	-	-	-	473
Special Assessments Not Yet Due (Schedule M)	5,206	27,252	-	-	-	-	-	32,458
Less: Allowance for Uncollectible Accounts	(1,036,551)	-	-	(112,000)	-	-	-	(1,148,551)
Due from Other Funds (Note 4E)	-	1,430,005	\$ 8,146,165	-	-	639,082	-	10,215,252
Interfund Receivables (Note 4F)	1,384,400	-	-	-	-	-	-	1,384,400
Inventories (Note 4G)	-	-	-	283,733	-	-	-	283,733
Advance Deposit (Note 4H)	-	-	-	-	569,100	-	-	569,100
Due from Other Governments (Note 4I)	214,850	1,592,315	-	1,114,956	-	-	-	2,922,121
Deferred Charges and Prepaid Expenses	13,850	-	-	4,476	-	-	-	18,326
Tax Foreclosures (Schedule J)	1,177	-	-	-	-	-	-	1,177
Fixed Assets, (net, where applicable, of accumulated depreciation) (Note 4J)	-	-	-	50,528,004	-	-	-	50,528,004
Amount to be Provided for Payment of Notes/Debt (Note 4N)	-	50,000	-	2,557,134	-	-	\$ 42,380,000	44,987,134
Total Assets	\$ 19,565,853	\$ 3,536,207	\$ 8,146,165	\$ 64,437,717	\$ 654,997	\$ 6,149,164	\$ 42,380,000	\$ 144,870,103

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Long Term Debt	(Memorandum Only)
Liabilities and Fund Equity								
Liabilities:								
Warrants Payable (Note 4K)	\$ 973,637	\$ 256,123	\$ 827	\$ 1,107,887	-	\$ 13,588	-	\$ 2,352,062
Accounts Payable	-	20,153	-	1,005,909	-	-	-	1,026,062
Retainage Payable and Accrued Expenses	-	10,071	258,388	173,440	-	-	-	441,899
Employee Withholdings	41,048	-	-	-	-	-	-	41,048
Refundable Deposits	320,631	-	2,496	146,439	-	-	-	469,566
Due to Other Funds (Note 4E)	8,220,251	-	-	103,222	\$ 1,891,779	-	-	10,215,252
Interfund Payables (Note 4F)	-	62,677	-	722,562	-	599,162	-	1,384,401
Due to Other Governments (Note 4M)	113,168	-	-	-	-	-	-	113,168
Due to Student Groups	-	-	-	-	-	94,066	-	94,066
Taxes Collected in Advance	2,612	-	-	-	-	-	-	2,612
Unearned Revenue	-	-	-	60,300	-	-	-	60,300
Deferred Revenue:	-	-	-	-	-	-	-	-
Property Taxes	1,685,553	-	-	-	-	-	-	1,685,553
Other (Note 4L)	2,166,652	1,757,327	-	2,682,850	-	-	-	6,606,829
Advances	-	-	-	16,200	-	-	-	16,200
Accrued Claims	-	-	-	-	580,879	-	-	580,879
Liabilities to be Repaid from Enterprise Funds - Bonds Payable	-	-	-	1,730,000	-	-	-	1,730,000
Notes Payable (Note 4O)	-	50,000	-	2,204,717	-	-	-	2,254,717
General Obligation Bonds Payable (Note 4N)	-	-	-	6,200,134	-	-	\$ 42,380,000	48,580,134
Total Liabilities	13,523,552	2,156,351	261,711	16,153,660	2,472,658	706,816	42,380,000	77,654,748
Fund Equity:								
Contributed Capital (Note 4P)	-	-	-	35,402,564	-	-	-	35,402,564
Retained Earnings:								
Reserved Retained Earnings (Note 4Q)	-	-	-	1,803,983	-	-	-	1,803,983
Reserved for Deficits (Note 2B)	-	-	-	(1,360,978)	-	-	-	(1,360,978)
Unreserved Retained Earnings	-	-	-	12,438,489	-	-	-	12,438,489
Fund Balances:								
Reserved for Encumbrances (Note 4R)	1,116,317	-	3,638,001	-	-	-	-	4,754,318
Reserved for Nonexpendable Trust Principal (Note 4R)	-	-	-	-	-	1,362,520	-	1,362,520
Reserved for Over (Under) Estimates (Note 2B)	(26,160)	-	-	-	-	-	-	(26,160)
Reserved for Deficits (Note 2B)	(13,203)	-	-	-	(1,817,661)	-	-	(1,830,864)
Designated for Subsequent Years' Expenditures (Note 4R)	-	34,000	3,216,375	-	-	758,410	-	4,008,785
Designated for Continuing Appropriations (Note 4R)	237,447	-	1,030,078	-	-	-	-	1,267,525
Undesignated	4,727,900	1,345,856	-	-	-	3,321,418	-	9,395,174
Total Fund Equity	6,042,301	1,379,856	7,884,454	48,284,058	(1,817,661)	5,442,348	-	67,215,356
Total Liabilities and Fund Equity	\$ 19,565,853	\$ 3,536,207	\$ 8,146,165	\$ 64,437,718	\$ 654,997	\$ 6,149,164	\$ 42,380,000	\$ 144,870,104

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Types	Totals
	General Fund	Special Revenue	Capital Projects	Expendable Trusts	(Memorandum Only)
Revenues:					
Taxes	\$ 31,677,812	-	-	-	\$ 31,677,812
State Receipts	1,169,860	-	-	-	1,169,860
Excise and Other Taxes	2,816,597	-	-	-	2,816,597
Licenses, Permits, Fees	4,938,978	-	-	-	4,938,978
Interest and Penalties on Delinquent Taxes	247,794	-	-	-	247,794
Investment Income:					
Interest and Dividends on Investments	895,929	-	\$ 22,063	\$ 256,387	1,174,379
Net increase (decrease) in fair value of securities	-	-	-	225,796	225,796
Grants and Fees	-	\$ 2,876,377	-	-	2,876,377
Intergovernmental	1,659,445	-	-	-	1,659,445
Bequests and Additions	-	-	-	165,612	165,612
Total Revenues (Note 3)	43,406,415	2,876,377	22,063	647,795	46,952,650
Expenditures:					
Current:					
General Government	3,996,427	36,847	-	100,000	4,133,274
Public Safety	5,408,051	461,892	-	-	5,869,943
Public Works	2,028,237	545,608	-	16,884	2,590,729
Health and Human Services	4,193,200	91,192	-	15,795	4,300,187
Education	13,507,324	2,000,777	-	64,880	15,572,981
Recreation and Culture	721,907	266,758	-	-	988,665
Insurance and Employee Benefits	5,919,331	-	-	142,626	6,061,957
State and County Assessments	399,968	-	-	-	399,968
Capital Outlay	-	-	2,468,820	-	2,468,820
Debt Service:					
Principal	2,135,000	-	-	-	2,135,000
Interest and Fiscal Charges	2,322,973	-	-	-	2,322,973
Continuing Appropriations	300,658	-	-	-	300,658
Total Expenditures (Note 3)	40,933,076	3,403,074	2,468,820	340,185	47,145,155
Excess of Revenues Over (Under) Expenditures	2,473,339	(526,697)	(2,446,757)	307,610	(192,505)
Other Financing Sources (Uses):					
Operating Transfers In	54,000	316,706	960,367	371,806	1,702,879
Operating Transfers Out	(3,019,706)	(211,367)	-	-	(3,231,073)
Total Other Financing Sources (Uses)	(2,965,706)	105,339	960,367	371,806	(1,528,194)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(492,367)	(421,358)	(1,486,390)	679,416	(1,720,699)
Fund Balances, Beginning of Year	6,534,668	1,801,214	9,370,844	3,400,412	21,107,138
Fund Balances, End of Year	\$ 6,042,301	\$ 1,379,856	\$ 7,884,454	\$ 4,079,828	\$ 19,386,439

The Notes to the Financial Statements are an integral part of this Statement.

Exhibit C

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP)
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Budget/ Net Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 31,599,203	\$ 31,662,553	\$ 63,350
State Receipts	1,219,317	1,169,860	(49,457)
Excise and Other Taxes	2,789,247	2,816,597	27,350
Licenses, Permits, Fees	4,306,859	4,938,978	632,119
Interest and Penalties on Delinquent Taxes	215,266	247,794	32,528
Interest on Investments	900,000	895,929	(4,071)
Intergovernmental	1,345,717	1,659,445	313,728
Total Revenues (Note 3)	42,375,609	43,391,156	1,015,547
Expenditures:			
Current:			
General Government	4,351,150	4,061,917	289,233
Public Safety	5,532,794	5,409,466	123,328
Public Works	2,063,237	2,028,475	34,762
Health and Human Services	4,262,767	4,221,605	41,162
Education	13,569,282	13,507,324	61,958
Recreation and Culture	727,464	721,907	5,557
Insurance and Employee Benefits	6,085,938	5,919,518	166,420
State and County Assessments	373,808	399,968	(26,160)
Debt Service:			
Principal	2,135,000	2,135,000	-
Interest and Fiscal Charges	2,335,374	2,322,973	12,401
Total Expenditures (Note 3)	41,436,814	40,728,153	708,661
Excess of Revenues Over (Under) Expenditures	938,795	2,663,003	1,724,208
Other Financing Sources (Uses):			
Operating Transfers In	54,000	54,000	-
Operating Transfers Out	(3,533,756)	(3,019,706)	514,050
Total Other Financing Sources (Uses)	(3,479,756)	(2,965,706)	514,050
Budget Variance:			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (Note 2A)	\$ (2,540,961)	\$ (302,703)	\$ 2,238,258

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Operating Revenues:				
Collections and User Fees	\$ 5,373,132	-	-	\$ 5,373,132
Sales of Fuel and Additives (net of discounts)	3,625,569	-	-	3,625,569
Less: Cost of Goods Sold	(2,436,803)	-	-	(2,436,803)
Charges for Fees and Services	2,743,698	-	-	2,743,698
Other Revenue	590,998	-	-	590,998
Contributions from Employers and Employees	-	\$ 3,621,516	-	3,621,516
Bequests	-	-	\$ 300	300
Total Operating Revenues	9,896,594	3,621,516	300	13,518,410
Operating Expenses:				
Operating Costs	11,200,815	-	-	11,200,815
Depreciation Expense	1,313,463	-	-	1,313,463
Claims Paid	-	5,073,544	-	5,073,544
Total Operating Expenses	12,514,278	5,073,544	-	17,587,822
Operating Income (Loss)	(2,617,684)	(1,452,028)	300	(4,069,412)
Non-Operating Revenues (Expenses):				
Interest Income	225,607	6,173	-	231,780
State Subsidies for Debt Payments	16,664	-	-	16,664
Proceeds of Notes and Bonds	2,333,927	-	-	2,333,927
Capital Outlay	(1,423,178)	-	-	(1,423,178)
Payment of Debt	(10,532)	-	-	(10,532)
Interest Expense	(263,840)	-	-	(263,840)
Loss on Retirement of Meters	(89,952)	-	-	(89,952)
Total Non-Operating Revenues (Expenses)	788,696	6,173	-	794,869
Income (Loss) Before Operating Transfers	(1,828,988)	(1,445,855)	300	(3,274,543)
Operating Transfers In (Out)	1,900,000	(371,806)	-	1,528,194
Net Income (Loss)	71,012	(1,817,661)	300	(1,746,349)
Add depreciation on fixed assets acquired by capital grants/contributed capital	807,174	-	-	807,174
Net Increase (Decrease) in Retained Earnings/Fund Balances	878,186	(1,817,661)	300	(939,175)
Retained Earnings/Fund Balances, Beginning of Year	12,003,308	-	1,362,220	13,365,528
Retained Earnings/Fund Balances, End of Year	\$ 12,881,494	\$ (1,817,661)	\$ 1,362,520	\$ 12,426,353

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash Flows From Operating Activities:				
Net Income (Loss)	\$ 71,012	\$ (1,817,661)	\$ 300	\$ (1,746,349)
Adjustments to reconcile net income to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation	1,313,463	-	-	1,313,463
Allowance for Doubtful Accounts	24,000	-	-	24,000
Amortization of Bond Premium	(3,510)	-	-	(3,510)
Loss on Retirement of Assets	89,952	-	-	89,952
Decrease (Increase) in Receivables	(882,750)	-	-	(882,750)
Decrease (Increase) in Amounts Due from Other Governments	(1,050,008)	-	-	(1,050,008)
Decrease (Increase) in Inventories	(23,479)	-	-	(23,479)
Decrease (Increase) in Deferred and Prepaid Expenses	2,027,706	-	-	2,027,706
Decrease (Increase) in Advance Deposits	-	(569,100)	-	(569,100)
Increase (Decrease) in Warrants Payable and Accounts Payable	802,145	-	-	802,145
Increase (Decrease) in Deposits, Advances, Accrued Expenses and Unearned Income	8,066	-	-	8,066
Increase (Decrease) in Deferred Revenue	326,901	-	-	326,901
Increase (Decrease) in Accrued Claims	-	580,879	-	580,879
Increase (Decrease) in Amounts Due to Other Funds	(925,117)	1,891,779	-	966,662
Net Cash Provided by (Used for) Operating Activities	1,778,381	85,897	300	1,864,578
Cash Flows from Investing Activities:				
Transfers from Investments	796,671	-	-	796,671
Purchase of Investments	(3,546,286)	-	(300)	(3,546,586)
Additions to Fixed Assets	(6,050,364)	-	-	(6,050,364)
Contributed Capital	1,270,133	-	-	1,270,133
Net Cash Provided by (Used for) Investing Activities	(7,529,846)	-	(300)	(7,530,146)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Notes and Bonds	5,847,717	-	-	5,847,717
Principal Payments on Notes and Bonds	(2,260,000)	-	-	(2,260,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	3,587,717	-	-	3,587,717
Net Increase (Decrease) in Cash and Cash Equivalents	(2,163,748)	85,897	-	(2,077,851)
Cash and Cash Equivalents at Beginning of Year	3,397,659	-	-	3,397,659
Cash and Cash Equivalents at End of Year	\$ 1,233,911	\$ 85,897	\$ -	\$ 1,319,808
Supplemental Disclosures of Cash Flow Information:				
Cash Paid During the Year for Interest	\$ 255,780	\$ -	\$ -	\$ 255,780

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Nantucket, Massachusetts is a municipality governed by an elected five member Board of Selectmen.

As required by generally accepted accounting principles, the accompanying financial statements present the Town of Nantucket and its component units, entities for which the government is considered to be financially accountable. There are two types of component units. Blended component units are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column of the combined financial statements to emphasize it is legally separated from the government. The Town does not have any discretely presented component units. Each blended component unit has a June 30 year end, of which the Town has two.

Blended Component Units:

The Nantucket Memorial Airport is a political subdivision of the Town and is governed by the Nantucket Memorial Airport Commission. Annually, the budget of the Airport is prepared and submitted to the Board of Selectmen. Original and supplemental appropriations are acted upon at Town meetings. Additional appropriations may be authorized by Town meetings during the year as the need arises.

The Wannacomet Water Company supplies the Town and its inhabitants with water and is governed by the Town of Nantucket Board of Water Commissioners. Annually, the budget of the water company is prepared and submitted to the Board of Selectmen. Original and supplemental appropriations are acted upon at Town meetings.

See Note 5 for information describing related organizations not included in the Town's reporting entity.

B. Basis of Presentation

The Town maintains its accounting records in accordance with practices prescribed by the Commonwealth of Massachusetts. The accounting requirements of this system differ in some respects from accounting practices prescribed by generally accepted accounting principles. Certain adjustments and reclassifications have been made to present the accompanying financial statements in accordance with generally accepted accounting principles except for one principal difference. This difference is described below.

Fixed Assets - The Town does not maintain, and therefore does not report, a general fixed assets account group in accordance with generally accepted accounting principles.

C. Fund Accounting

The accounts of the Town are presented on the basis considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures or expenses and other financing sources and uses. The following funds are used in accounting for the financial operations of the Town of Nantucket.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Governmental Fund Types - Governmental fund types are those through which most governmental functions are typically financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities - except activities accounted for in proprietary funds - are accounted for through governmental funds. The governmental funds maintained by the Town are as follows:

General Fund - The fund is used to reflect the financial transactions related to governmental activities which are not otherwise accounted for in another fund.

Special Revenue Funds - The funds are used to account for the proceeds of specific revenue sources, the uses of which are restricted to specific purposes.

Capital Projects Funds - The funds are used to account for resources obtained and used for the acquisition, construction, or improvement of capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and from federal and state grants.

Proprietary Fund Types - Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The proprietary funds maintained by the Town are as follows:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

Internal Service Funds - Internal service funds account for operations that provide services to other departments of the government on a cost-reimbursement basis. The Town accounts for its self-insured health insurance fund as an internal service fund.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The fiduciary fund maintained by the Town is as follows:

Trust and Agency Funds - These funds are used to account for money and property received from nonenterprise fund sources and held by the Town in the capacity of trustee, custodian, or agent for individuals, governmental entities, and nonpublic organizations.

Trust funds include expendable trust funds and nonexpendable trust funds. Expendable trust funds are accounted for similar to governmental funds. Nonexpendable trust funds are accounted for similar to those often found in the private sector. Agency funds are custodial in nature and do not involve a measurement of results of operations.

Account Group

General Long Term Debt - Unmatured long term general obligation bonds payable, which are not expected to be paid during the succeeding year, are accounted for in the General Long Term Debt Group of Accounts.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon thereafter to be used to pay current liabilities. Expenditures, other than interest on long term debt, are recorded when the liability is incurred, if measurable. In addition, expenditures made during the fifteen days following the close of each fiscal year which are related to the prior year are recorded as paid on June 30th. Expenditures for school encumbered salaries are recorded as a liability on June 30th. Certain appropriation balances are carried forward to permit liquidation of outstanding bills and purchase orders in the succeeding fiscal year.

The accrual basis of accounting is used by proprietary funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Budgetary Data

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the general fund budgetary data as reflected in the financial statements:

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen.
The school department budget is prepared by the School Committee.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

The Town's annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principles (GAAP). The major differences are that real estate and personal property taxes are recognized as revenue when levied and that appropriations are classified as reserved for encumbrances and considered committed at the end of the fiscal year when a contract, invoice or purchase order is issued. Also, certain appropriations, known as special articles, do not lapse and are treated as reserved for continuing appropriations and treated as an expense in the year they are paid.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is normally employed in government funds. Currently, the Town of Nantucket is not on the encumbrance method of accounting.

For financial statement presentation, appropriation balances that have contracts, invoices or other commitments have been carried forward and classified as Reserved for Encumbrances.

F. Assets, Liabilities, and Fund Equity

1. Cash, Investments and Cash and Investments in Custody of Trustees

Cash balances from all funds, except those required to be segregated by law, are combined to form a pool of cash. Cash balances are invested to the extent available and interest earnings are recognized in the General Fund. Certain special revenue funds, capital projects funds, enterprise funds and fiduciary funds cash are segregated and investment earnings become a part of those funds.

Valuation of investments for financial reporting purposes is at fair value. Fair value is defined by the amount at which an investment could be exchanged in a current transaction between willing parties.

Cash and investments in custody of trustees are funds that are under the control and custody of the trustees and were not in the custody of the Town.

2. Receivables and Payables

Receivables are recorded when billed and are shown as a gross amount.

Schedules of Accounts Receivable are presented in Schedules I through N.

Allowance for uncollectible accounts and deferred revenue arises as State statute requires a percentage of the amount levied to be set aside by assessors to grant abatements and is presented as allowance for uncollectible taxes. State Statute also requires the balance of the levy to be further reserved and is presented as deferred revenue on the balance sheet. All other accounts receivable and excise taxes are fully reserved and presented as deferred revenue. At year end, receipts are accrued on outstanding property taxes receivable for a period of sixty days which decreases the deferred revenue and increases the fund balance. Sixty day receipts after June 30, 2001 consist of real estate and personal property taxes in the amount of \$415,797.

Due from/to Other Funds arises during the course of the operations from the pooling of cash and as funds provide services to each other.

Warrants payable consists of goods and services that have been received or rendered and are to be paid in the following fiscal year.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Equity (Continued)

3. Inventories

Inventories are priced at the lower of cost or market, with cost being determined on the first in-first-out basis. Expendable supplies and small tools are not inventoried but rather expenses when purchased.

4. Fixed Assets

Disbursements related to the acquisition of fixed assets are considered expenditures in the year payments are made. Currently the system of accounting for the governmental funds does not provide for capitalizing such expenditures of the acquiring funds. Accordingly, a statement of general fixed assets is not included in the accompanying financial statements.

Assets in the proprietary funds are capitalized and provision for depreciation recorded.

5. Long-term Obligations

The Town reports long-term debt of governmental funds at face value in the general long term debt account group.

For governmental fund types, bond proceeds are reported as an other financing source. Principal and interest payments on long-term obligations are considered expenditures in the year payments are made and are accounted for in the general fund.

Long term debt financed by proprietary funds are reported as liabilities in the appropriate funds.

6. Fund Equity

Reservations of fund balance accounts represent amounts that are legally segregated for a specific purpose.

7. Memorandum Only - Total Columns

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are prepared only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

G. Revenues, Expenditures, and Expenses

1. Revenues

Generally, revenues of governmental fund types are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual. Material revenues in the following category is considered susceptible to accrual because it is both measurable and available to finance expenditures of the current period:

Property taxes

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

The following revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period:

- Excise taxes
- Tax liens
- Departmental
- User charges
- Special assessments
- Licenses, permits and other general receipts

2. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. A determination of the amount of sick and vacation leave liability could not be determined therefore, the accrued liability could not be determined and the accrued liability is not reflected on the accounts of the Town.

3. Grant, Entitlements and Shared Revenue

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Budgetary Fund Balance

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2001, the Town incurred a budget deficit of \$2,540,961 for the General Fund as shown on Exhibit C.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Deficit Budgetary Fund Balance (Continued)

The Town voted from the following amounts to fund the deficit budget during the fiscal year:

Unreserved Fund Balance:	
Town Meeting Votes:	
(Free Cash)	\$ 2,116,701
(Overlay Surplus)	450,000
Reserved for Over (Under) Estimates	(25,740)
	<u>\$ 2,540,961</u>

B. Deficit Fund Balances

The following funds had deficits at June 30, 2001 as measured by the balances of unreserved fund balance.

General Fund:

Reserved for Over (Under) Estimates - Under Chapter 59 of the Massachusetts General Laws assessments for state charges are on an estimated basis which causes over and under estimates. The law requires over assessments to be used to reduce future assessments and under assessments to be raised in the next fiscal year's budget. This has resulted in an under estimate of \$26,160 as of June 30, 2001 which consists of the following:

Underestimate:	
RMV Non-Renewal Surcharge	\$ (24,520)
Special Education	(1,640)
	<u>\$ (26,160)</u>

General Fund:

Reserved for Deficits - resulted from expenditures of various appropriations in excess of the amount budgeted. The Commonwealth of Massachusetts does not allow this to occur except for some specific appropriations, and because of this, has required the Town to raise the amounts on the tax rate. By raising the amounts in the tax rate, the deficits will be eliminated.

Enterprise Fund:

Reserved for Deficits:

Siasconset Water Department - resulted from expenditures in excess of the amount budgeted in the amount of \$13,539. The Commonwealth of Massachusetts does not allow this to occur except for some specific appropriations, and because of this, has required the Town to raise the amount on the tax rate. By raising the amount in the tax rate, the deficits will be eliminated.

Sewer Department - resulted from the following:

- expenditures in excess of the amount budgeted in the amount of \$77,852. The Commonwealth of Massachusetts does not allow this to occur except for some specific appropriations, and because of this, has required the Town to raise the amount on the tax rate. By raising the amount in the tax rate, the deficits will be eliminated.
- capital outlay expenditures in excess of the amount borrowed for in the amount of \$931,565. Upon the borrowing of funds the deficit will be eliminated.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Balances (Continued)

Solid Waste Department - resulted from actual revenues falling below projections causing a revenue deficit in the amount of \$338,022. The Commonwealth of Massachusetts requires a revenue deficit to be raised on the tax rate.

Internal Service Fund:

Reserved for Deficits – resulted from losses and claims in the self insurance fund over the past year. The Town has raised the deficit on next year's tax rate.

3. BUDGET/GAAP REPORTING DIFFERENCES NOT OTHERWISE RECONCILED IN THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Town's general fund budget is prepared on a basis other than generally accepted accounting principles (GAAP). The "actual" results column of the Combined Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP) - Budget and Actual - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budgets. The major differences between the budget and GAAP bases are:

- Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP); and
- Encumbrances of the current year are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

The following reconciliation summarizes the differences between the budget and GAAP basis of accounting principles for the year ended June 30, 2001.

	Revenues	Expenditures
As reported on a budget basis (Exhibit C)	\$ 43,391,156	\$ 40,728,153
Adjustments of property tax accruals and deferrals	15,259	
Adjustments for reserved for encumbrances-current year's budget		(95,735)
Adjustments for expenditures-prior year's encumbrances		300,658
As reported on a GAAP basis (Exhibit B)	<u>\$ 43,406,415</u>	<u>\$ 40,933,076</u>

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP

A. Deposits

The Town maintains a cash and investment pool that is available for use by all funds. The portion of the pool allocated to each fund type is displayed on the combined balance sheet as "Cash and Cash Equivalents" and "Investments."

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Generally the treasurer of the Town is authorized to invest in the following investments: national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

The carrying amount of the Town's deposits with financial institutions was \$12,149,486 and the bank balance was \$11,316,505. The bank balance is categorized as follows:

Amount insured by the FDIC and DIF or collateralized with securities held by the Town in its name	\$ 5,729,862
Uncollateralized	<u>5,586,643</u>
	<u><u>\$ 11,316,505</u></u>

B. Investments

Investments made by the Town, including repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Town or its agent in the Town's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
U. S. Treasury obligations	\$ 500,000	\$ -	\$ 127,674	\$ 627,674	\$ 627,674
U. S. government agencies	-	-	4,403,666	4,403,666	4,403,666
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 4,531,340</u>		-
Money market instruments				164,732	164,732
Investment in Massachusetts Municipal Depository Trust				9,703,519	9,703,519
				<u>\$ 14,899,591</u>	<u>\$ 14,899,591</u>

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

C. Cash and Investments in Custody of Trustees

Cash and investments in custody of trustees consists of the following:

Trust and Agency Fund:	
Boston Safe Deposit and Trust Company-	
Frederick C. Sanford Trust, (at cost)	<u>70,583</u>

D. Property Taxes Receivable

Property taxes are based on assessments as of January 1, 2000 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The first tax payment is due November 1st or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterments, special assessments and other charges shown. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due dates, interest at the rate of 14% is charged on the amount of the payment that is unpaid and overdue. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2001 is as follows:

Levy Limit	\$ 28,223,336
Add: Debt Exclusion	<u>4,103,463</u>
	<u>\$ 32,326,799</u>

The total amount raised by taxation was \$32,092,116.

E. Due From/To Other Funds

The composition of due from/due to other funds as a result of the pooling of cash at June 30, 2001 were are follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 8,220,251
Special Revenue Fund	1,430,005	-
Capital Projects Fund	8,146,165	-
Enterprise Fund	-	103,222
Internal Service Fund	-	1,891,779
Trust and Agency Fund	639,082	-
	<u>\$ 10,215,252</u>	<u>\$ 10,215,252</u>

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

F. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2001, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds:	
	Off Duty Police	\$ 60,382
	County Grant	2,294
General Fund	Enterprise Funds:	
	Sewer Department	71,696
	Solid Waste Department	164,680
	Wannacomet Water Company	515,276
Enterprise Funds:		
Nantucket Memorial Airport	General Fund	(29,090)
General Fund	Trust and Agency Funds	599,162
		<u>\$ 1,384,400</u>

G. Inventories

Inventories at June 30, 2001 consists of the following:

Enterprise Funds:	
<i>Wannacomet Water Department:</i>	
Stock materials and supplies	\$ 130,154
<i>Nantucket Memorial Airport:</i>	
Fuel	153,579
	<u>\$ 283,733</u>

H. Advance Deposit

Advance deposit consists of advances to Blue Cross Blue Shield of Massachusetts to cover medical claims made by Town employees. The advance deposit balance at June 30, 2001 is \$569,100.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

I. Due From Other Governments

The composition of amounts due from other governments as of June 30, 2001, is as follows:

General Fund:		
Former Employee	\$	800
<i>County of Nantucket</i>		75,000
<i>Commonwealth of Massachusetts:</i>		
Massachusetts Highway Department:		
Bicycle Path		139,050
	\$	214,850
Special Revenue Fund:		
<i>U. S. Department of Agriculture -</i>		
School Lunch	\$	2,410
<i>U. S. Department of Transportation -</i>		
Transportation Enhancement Grants		4,967
3C Transportation Planning Grant		225,093
<i>U. S. Department of Education -</i>		
School Title Grants		101,356
<i>Commonwealth of Massachusetts:</i>		
Massachusetts Highway Department:		
Chapter 90 Funds		1,141,223
Department of Education:		
School Grants		58,150
School Lunch		424
Massachusetts Water Pollution Abatement Trust:		
Community Septic Management Program Bond		50,000
<i>County of Barnstable:</i>		
Department of Human Services:		
Youth Wellness and Prevention Forum		2,292
<i>Center for Enhancement of Science and</i>		
<i>Mathematics Education (CESAME)</i>		
		6,400
Enterprise Funds:		
<i>Nantucket Memorial Airport:</i>		
<i>U. S. Department of Transportation - Federal</i>		
Aviation Administration	\$	967,273
<i>Commonwealth of Massachusetts:</i>		
Aeronautics Commission		147,683
		1,114,956
		<u>\$ 2,922,121</u>

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

J. Fixed Assets

The following is a summary of proprietary fund type fixed assets of the Town at June 30, 2001:

Land	\$ 6,632,148
Land improvements	15,675,016
Water mains, sewers, hydrants and distribution equipment	11,467,340
Buildings	24,792,479
Vehicles	1,314,069
Equipment	910,325
Furniture, fixtures, and computer equipment	413,497
Less: accumulated depreciation	(12,909,375)
Construction in progress	2,232,505
Totals	<u><u>50,528,004</u></u>

K. Warrants Payable

The composition of warrants payable as of June 30, 2001, is as follows:

General Fund:		
General Warrants	\$ 403,765	
School Encumbered Payroll	<u>569,872</u>	\$ 973,637
Special Revenue Fund:		
School Lunch	\$ 3,106	
School Grants	38,108	
Other Grants	9,456	
Revolving Accounts	111,332	
Other Special Revenue	<u>94,121</u>	256,123
Capital Projects Fund:		
General Warrants		827
Enterprise Funds:		
<i>Wannacomet Water Company:</i>		
General Warrant	\$ 25,074	
<i>Nantucket Memorial Airport:</i>		
General Warrant	454,758	
<i>Sewer Department:</i>		
General Warrant	167,353	
<i>Solid Waste Department:</i>		
General Warrant	<u>460,702</u>	1,107,887
Trust and Agency Fund:		
General Warrant		13,588
		<u><u>\$ 2,352,062</u></u>

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

L. Deferred Revenue

The composition of other deferred revenue as of June 30, 2001, is as follows:

General Fund:

Excise Taxes	\$	598,275	
Tax Liens		1,245,402	
Departmental		100,749	
User Charges		76,320	
Special Assessments		473	
Special Assessments Not Yet Due		5,206	
Grants		139,050	
Tax Foreclosures		1,177	\$ 2,166,652

Special Revenue Fund:

Departmental	\$	302,392	
Special Assessments Not Yet Due		27,252	
State Aid to Highway		1,141,223	
State and Federal Grants		286,460	1,757,327

Enterprise Fund:

User Charges	\$	661,292	
Capital Grants and Master Plan Reimbursements		2,021,558	2,682,850
			<u>\$ 6,606,829</u>

The following two enterprise funds, because they have been audited by other auditors, do not recognize deferred revenue on the balance sheet. If deferred revenue had been recognized the actual unreserved retained earnings would be as follows:

	Nantucket Memorial Airport	Wannacomet Water Department
Unreserved retained earnings	\$ 4,769,491	\$ 5,039,651
Less: deferred revenue	(1,195,038)	(639,447)
	<u>\$ 3,574,453</u>	<u>\$ 4,400,204</u>

See Note 6B for additional segment information on the enterprise funds

M. Due to Other Governments

Due to other governments on June 30, 2001 in the general fund consists of the following:

General Fund:

<i>County of Nantucket</i>	\$ 79,683
<i>Commonwealth of Massachusetts</i>	
State aid that belongs to another community	33,485
	<u>\$ 113,168</u>

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

N. Long Term Debt

General Obligation Bonds

The Town's long term debt outstanding on June 30, 2001 consists of general debt in the long term debt group of accounts in the amount of \$42,380,000 and enterprise debt in the amount of \$6,200,134.

A summary of the changes in general long term debt during the year is as follows:

	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Outstanding July 1, 2000	Additions	Reductions	Outstanding June 30, 2001
Inside Debt:								
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$27,750,000	\$ 26,085,000	-	\$ 900,000	\$ 25,185,000
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2018	\$ 330,000	-	\$ 330,000	-	330,000
Outside Debt:								
Refinanced:								
General Obligation Bonds	Various	12/1/1991	12/1/2011	\$44,385,000	3,725,000	-	1,235,000	2,490,000
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$14,375,000	14,375,000	-	-	14,375,000
					<u>\$ 44,185,000</u>	<u>\$ 330,000</u>	<u>\$ 2,135,000</u>	<u>\$ 42,380,000</u>

A summary of the changes in enterprise long tem debt during the year is as follows:

	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Outstanding July 1, 2000	Additions	Reductions	Outstanding June 30, 2001
Inside Debt:								
Sewer Department:								
<i>Massachusetts Water Pollution Abatement Trust:</i>								
Loan No. 94-10	Various	5/1/1995	2/1/2015	\$ 279,888	\$ 233,739	\$ -	\$ 10,532	\$ 223,207
Loan No. 98-143	Various	11/8/2000	8/1/2020	\$ 1,012,863	-	1,012,863	-	1,012,863
Loan No. 98-144	Various	11/8/2000	8/1/2020	\$ 224,577	-	224,577	-	224,577
Loan No. 98-145	Various	11/8/2000	8/1/2020	\$ 246,487	-	246,487	-	246,487
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2021	\$ 850,000	-	850,000	-	850,000
Outside Debt:								
Wannacomet Water Department:								
General Obligation Bonds of 2001:								
Water Projects	Various	5/15/2001	5/15/2001	\$ 1,168,000	-	1,168,000	-	1,168,000
Water Meters	Various	5/15/2001	5/15/2001	\$ 1,500,000	-	1,500,000	-	1,500,000
Nantucket Memorial Airport:								
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2001	\$ 975,000	-	975,000	-	975,000
					<u>\$ 233,739</u>	<u>\$ 5,976,927</u>	<u>\$ 10,532</u>	<u>\$ 6,200,134</u>

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

N. Long Term Debt (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the general outstanding bonds, including interest, as of June 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended June 30,			
2002	2,265,000	2,199,496	4,464,496
2003	2,420,000	2,077,906	4,497,906
2004	2,550,000	1,954,450	4,504,450
2005	2,675,000	1,821,750	4,496,750
2006	2,795,000	1,672,157	4,467,157
2007-2018	29,675,000	8,222,107	37,897,107
	<u>\$ 42,380,000</u>	<u>\$ 17,947,866</u>	<u>\$ 60,327,866</u>

The annual requirements to amortize the enterprise bonds, including interest, as of June 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended June 30,			
2002	\$ 421,125	\$ 277,867	\$ 698,992
2003	419,979	260,453	680,432
2004	421,928	243,062	664,990
2005	423,873	225,641	649,514
2006	425,814	208,192	634,006
2007-2018	4,087,415	1,297,983	5,385,398
	<u>\$ 6,200,134</u>	<u>\$ 2,513,198</u>	<u>\$ 8,713,332</u>

Advance Refunding

During fiscal year 1998, the Town advance refunded a general obligation bond issue with a general obligation refundings. Of this issue, the Town issued \$14,920,835 of general obligation refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt and \$27,750,000 in new debt. As a result, the refunded bonds, including the enterprise bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$13,650,000 of the Town's Series 1991 bonds and to obtain an economic gain of approximately \$650,000.

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2001

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

N. Long Term Debt (Continued)

Massachusetts Water Pollution Abatement Trust

The Town has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust).

The Town currently has four loans as follows:

- a gross obligation of \$465,608 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$91,335 resulting in a net loan repayment of \$374,273.
- a gross obligation of \$1,615,863 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$709,874 resulting in a net loan repayment of \$905,989
- a gross obligation of \$361,432 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$158,807 resulting in a net loan repayment of \$202,625.
- a gross obligation of \$395,576 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$173,769 resulting in a net loan repayment of \$221,807.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

No. 94-10				Less: Loan Subsidy Amount	Net Loan Repayments
	Principal	Interest	Total		
Initial Loan					
Obligation	\$ 279,888	\$ 185,720	\$ 465,608	\$ 91,335	\$ 374,273
Repayments:					
Fiscal Year 1996	(8,533)	(10,052)	(18,585)	(5,131)	(13,454)
Fiscal Year 1997	(8,790)	(14,738)	(23,528)	(7,461)	(16,067)
Fiscal Year 1998	(9,177)	(14,351)	(23,528)	(7,220)	(16,308)
Fiscal Year 1999	(9,599)	(13,929)	(23,528)	(6,967)	(16,561)
Fiscal Year 2000	(10,050)	(13,478)	(23,528)	(6,704)	(16,824)
Fiscal Year 2001	(10,532)	(12,995)	(23,527)	(6,427)	(17,100)
	<u>\$ 223,207</u>	<u>\$ 106,177</u>	<u>\$ 329,384</u>	<u>\$ 51,425</u>	<u>\$ 277,959</u>

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

N. Long Term Debt (Continued)

Massachusetts Water Pollution Abatement Trust (Continued)

No. 94-143				Less: Loan Subsidy Amount	Net Loan Repayments
	Principal	Interest	Total		
Initial Loan					
Obligation	\$ 1,012,863	\$ 603,000	\$ 1,615,863	\$ 709,874	\$ 905,989
Repayments:					
Fiscal Year 2001	-	(12,125)	(12,125)	(6,989)	(5,136)
	<u>\$ 1,012,863</u>	<u>\$ 590,875</u>	<u>\$ 1,603,738</u>	<u>\$ 702,885</u>	<u>\$ 900,853</u>

No. 94-144				Less: Loan Subsidy Amount	Net Loan Repayments
	Principal	Interest	Total		
Initial Loan					
Obligation	\$ 224,577	\$ 136,855	\$ 361,432	\$ 158,807	\$ 202,625
Repayments:					
Fiscal Year 2001	-	(2,695)	(2,695)	(1,558)	(1,137)
	<u>\$ 224,577</u>	<u>\$ 134,160</u>	<u>\$ 358,737</u>	<u>\$ 157,249</u>	<u>\$ 201,488</u>

No. 94-145				Less: Loan Subsidy Amount	Net Loan Repayments
	Principal	Interest	Total		
Initial Loan					
Obligation	\$ 246,487	\$ 149,089	\$ 395,576	\$ 173,769	\$ 221,807
Repayments:					
Fiscal Year 2001	-	(2,959)	(2,959)	(1,690)	(1,269)
	<u>\$ 246,487</u>	<u>\$ 146,130</u>	<u>\$ 392,617</u>	<u>\$ 172,079</u>	<u>\$ 220,538</u>

A summary of the future obligations of the Water Pollution Abatement Project Bond are as follows:

Year Ended June 30,	Principal	Interest	Total
2002	\$ 68,125	\$ 88,237	\$ 156,362
2003	69,979	84,943	154,922
2004	71,928	81,552	153,480
2005	73,873	78,131	152,004
2006	75,814	74,682	150,496
2007-2021	1,347,415	569,797	1,917,212
	<u>\$ 1,707,134</u>	<u>\$ 977,342</u>	<u>\$ 2,684,476</u>

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

N. Long Term Debt (Continued)

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2001 totaled \$28,072,134.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2001:

Equalized Valuation-Real Estate and Personal Property (2000)		\$ 6,512,940,000
Debt Limit: 5 % of Equalized value		<u>\$ 325,647,000</u>
General Debt Outstanding	\$ 42,380,000	
Less: Debt Outside Debt Limit	<u>16,865,000</u>	\$ 25,515,000
Total Debt Outstanding	<u>\$ 6,200,134</u>	
Less: Debt Outside Debt Limit	<u>3,643,000</u>	<u>2,557,134</u>
Total Inside Debt		<u>28,072,134</u>
Inside Debt Excess Borrowing Capacity at June 30, 2001		<u><u>\$ 297,574,866</u></u>

Loans Authorized and Unissued

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as long term debt or refunding notes as of June 30, 2001 and are not reflected in the Town's financial statements are as follows:

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001**

N. Long Term Debt (Continued)

Loans Authorized and Unissued (Continued)

Date of Town Meeting	<u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
Unavailable	Sewer Treatment Plant		\$ 2,100,000
Unavailable	Airport		2,145,000
Unavailable	Marine Facility		30,000
4/18/1996	Various Airport Projects		240,000
4/18/1996	Develop a Second Public Water Supply within the Nantucket State Forest off Lover's Lane		1,400
4/14/1997	Various Airport Projects		445,000
4/14/1997	Improvements to Siasconsett Wastewater Treatment Facility		312,560
4/14/1997	Improvement to Water Distribution System at Various Locations		800,000
4/14/1997	Various Wannacomet Water Projects		285,000
4/14/1997	Engineering Costs Associated with the Modifications of Surfside Wastewater Treatment Facility		453,513
4/14/1997	Community Septic System Management Program		100,000
4/13/1998	Bicycle Path Projects		299,250
4/13/1998	Various Airport Projects		1,910,130
4/13/1998	Sewer Project		5,000,000
4/12/1999	Various Airport Projects		1,250,000
4/12/1999	Design, Construction and Related Costs for Improvements to the Town Sewer System		650,000
4/12/1999	Acquire a Parcel of Land for Airport Purpose		25,000
4/10/2000	Design, Permitting, Constructing and other Related costs for Improvements to Sewer Collection System to Implement Recommendations of Upcoming Sewer Mapping and Evaluation Study		500,000
4/10/2000	Visitor Services Restrooms		140,000
4/10/2000	Various Airport Projects		50,000
			<u>16,736,853</u>

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

N. Long Term Debt (Continued)

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001**

Overlapping Debt

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to Nantucket County and the Nantucket Regional Transit Authority of which the Town is a member. The following summary sets forth the long term debt of the governmental units, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Nantucket Regional Transit Authority	<u>\$ 690,150</u>	100.00%	<u>\$ 690,150</u>

The County does not have any debt outstanding at June 30, 2001.

Refunding Trust Agreement - July 30, 1997

The Town of Nantucket and State Street Bank and Trust, (the "trustee") have entered into a Refunding Trust Agreement (the "Agreement") dated July 30, 1997.

Concurrently with the execution of this agreement, the Town has issued municipal purpose loan of 1997 bonds dated July 15, 1997 in the aggregate principal amount of \$42,125,000, of which \$14,375,000 are being issued pursuant to Section 21A of Chapter 44 of the Massachusetts General Laws for the purpose of advance refunding the above notes. State Street Bank and Trust Company (the "trustee") has established a irrevocable trust fund designated the Town of Nantucket, Massachusetts Refunding Escrow Fund and moneys in the amount of \$14,920,835.49 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Trustee solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

The agreement states that if, on any date upon which an installment of interest on or principal or the redemption price of the refunded bonds falls due, the amount of escrow receipts then due and collected by the trustee on the government obligations on deposit in the refunding trust fund shall be insufficient to pay in full such installment on the refunded bonds, the trustee shall notify the Town immediately and the Town shall supply the amount of the deficiency by payment to the trustee for deposit into the refunding trust fund within three business days of notification.

The balance, at market, of the refunding trust agreement at June 30, 2001 is \$14,021,043.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

O. Temporary and Short Term Debt

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

Under the General Laws of the Commonwealth of Massachusetts and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes. Outstanding short term notes on June 30, 2001 were as follows:

<u>Description</u>	<u>Maturity Debt</u>	<u>Interest Rate</u>	<u>Amount</u>
Special Revenue Fund:			
<i>Water Pollution Abatement Trust:</i>			
Community Septic Management Program Bond	N/A	N/A	\$ 50,000
Enterprise Funds:			
<i>Nantucket Memorial Airport:</i>			
<i>Anticipation of Federal Grant</i>			
Airport Improvements	7/27/2001	3.50%	\$ 2,204,717
			<u>\$ 2,254,717</u>

P. Contributed Capital

The changes in the government's contributed capital accounts for its proprietary funds were as follows:

	<u>Total</u>	<u>Nantucket Memorial Airport</u>	<u>Wannacomet Water Company</u>	<u>Sewer</u>	<u>Solid Waste</u>
Beginning Balance	34,939,606	\$ 10,440,252	\$ 1,617,655	\$ 22,719,188	\$ 162,511
Contributing Sources:					
Federal and state grants received	-	-	-	-	-
Contributions	1,270,133	-	234,554	1,035,579	-
Less: Depreciation on assets placed in service funded by contributed capital	(807,175)	(768,968)	(38,207)	-	-
Ending Balance	<u>\$ 35,402,564</u>	<u>\$ 9,671,284</u>	<u>\$ 1,814,002</u>	<u>\$ 23,754,767</u>	<u>\$ 162,511</u>

Currently the Commonwealth of Massachusetts accounting procedures do not recognize contributed capital. Therefore the sewer and solid waste department proprietary funds do not have any changes in contributed capital. The Nantucket Memorial Airport and Wannacomet Water Department were audited by other auditors and have reflected the changes in contributed capital on their respective financial statements.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

Q. Reserved Retained Earnings

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

Reserved retained earnings is used to segregate a portion of retained earnings that has been voted at Town meetings for specific purposes and amounts voted at the annual Town meeting for fiscal year. It should be noted that the use of the term "reserve" in proprietary fund accounting should parallel commercial accounting and reporting and thus should be used on a limited basis.

The following is a composition of reserved retained earnings:

Nantucket Memorial Airport:			
Appropriations Carried Over		\$	745,918
Wannacomet Water Department:			
Appropriations Carried Over			357,490
Sewer Department:			
Appropriations Carried Over			577,523
Solid Waste Department:			
Appropriations Carried Over	\$	37,155	
Funds Voted at the 2001 Annual Town Meeting		85,897	123,052
			<u>\$ 1,803,983</u>

R. Reservations and Designations of Fund Balances

Descriptions of the various reservations and designations of the Town's fund balance accounts are as follows:

Reserved for Encumbrances - consists of appropriation balances that have contracts, invoices or other commitments outstanding at the end of the fiscal year.

Reserved for Nonexpendable Trust Principal - represents that portion of the trust fund that may not be expended and must be kept intact.

Designated for Subsequent Years' Expenditures - The Town of Nantucket operates under the "Representative Town Meeting" concept where each voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2001 do not reflect the fiscal year Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on April 10, 2001 authorized a fiscal year 2002 operating and capital budget as follows:

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

R. Reservations and Designations of Fund Balances (Continued)

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

From the Tax Levy	\$ 42,831,376
Due From Continuing Appropriations	57,437
Due From Siasconset Water Department Receipts	150,381
Due from Wannacomet Water Company Receipts	2,281,660
Due from Sewer Enterprise Receipts	901,988
Due from Solid Waste Enterprise Receipts	2,395,000
Due from Nantucket Memorial Airport Revenues	8,057,230
Due from Chapter 90 Highway Funds	306,171
(Designated for Subsequent Years' Expenditures)	
Special Revenue Fund:	
Ambulance	\$ 30,000
Sanford Gift Fund	4,000
	<hr/>
Capital Projects Fund:	
Sewer Treatment Facility	3,216,375
Enterprise Fund:	
<i>Solid Waste Department</i>	
Retained Earnings	85,897
Trust and Agency Fund:	
Stabilization Fund	758,410
	<hr/>
	<u><u>\$ 61,075,925</u></u>

Designated for Continuing Appropriations - is an account in which amounts have been designated and labeled by governmental executives to indicate tentative plans or commitments for those resources in a future period. This account consists of current and prior years unexpended appropriations and special articles carried forward that do not currently have contracts, invoices or other commitments applicable to them.

S. Special Trust Funds - Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting by a two-thirds vote for any lawful purpose. The stabilization fund is maintained as an expendable trust fund and has a balance of \$799,202 as of June 30, 2001.

5. RELATED ORGANIZATIONS

The following related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organization. The related organizations are as follows:

5. RELATED ORGANIZATIONS (Continued)

COMBINING STATEMENTS AND SCHEDULES

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2001

Nantucket Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Wood's Hole, Martha Vineyard and Nantucket Steamship Authority - An independent authority that provides ferry service between the islands of Martha's Vineyard and Nantucket and the mainland of Massachusetts. The steamship authority is an autonomous and self-sufficient agency under the State. The Town has no significant influence over management, budget or policies of the authority.

Nantucket Land Bank Commission - A public body that was created by Chapter 669 of the Acts of 1993 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection within Nantucket County. The Land Bank is administered by the Nantucket Islands Land Bank Commission comprised of five members. The commission is an autonomous and self-sufficient agency under the Commonwealth of Massachusetts general laws. The Land Bank is shown as a discretely presented component unit of the County of Nantucket, Massachusetts.

6. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Segment Information - Enterprise Funds

The Town maintains five enterprise funds. The siasconset water, wannacommet water, sewer and solid waste funds account for the provision of basic utility services to the citizens of the Town. The Nantucket Memorial Airport is an airport facility. Selected segment information for the Town's enterprise funds for the year ending June 30, 2001 are as follows:

6. OTHER INFORMATION

B. Segment Information - Enterprise Funds (Continued)

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001**

	Siasconset Water Department	Sewer Department	Solid Waste Department	Wannacomet Water Department	Nantucket Memorial Airport	Total
Operating revenues	145,881	959,813	2,567,068	1,888,364	4,335,468	9,896,594
Operating expenses	173,677	907,718	5,348,402	1,699,067	4,385,414	12,514,278
Operating income (loss)	(27,796)	52,095	(2,781,334)	189,297	(49,946)	(2,617,684)
Non-Operating revenues						-
(expenses)	7,293	862,725	43,311	(221,685)	97,052	788,696
Net income	(20,503)	914,820	(838,023)	(32,388)	47,106	71,012
Collections and user fees	145,881	959,813	2,567,068	1,700,370	-	5,373,132
Total assets	297,667	29,783,569	2,829,621	13,494,060	22,218,835	68,623,752
Total equity	262,595	24,960,225	663,402	7,211,143	15,186,693	48,284,058

C. Contingent Liabilities

Litigation

Various cases are pending against the Town at June 30, 2001. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act of 1984. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, ("The Authority") was duly created by virtue of Chapter 701 of the Acts of 1960., as amended, (The "Act"). The Act provides for the acquisition, maintenance and operation of a boat service operating between the mainland and the islands of Nantucket and Martha's Vineyard.

Under the Act, the Authority is authorized to have a reserve fund to meet the costs of service, including interest on and amortization of bonds or notes of the Authority. If the reserve fund is insufficient to meet the above obligations, the Commonwealth of Massachusetts shall pay over to the

6. OTHER INFORMATION (Continued)

C. Contingent Liabilities (Continued)

**TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001**

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (Continued)

Authority the amount of such deficiency. The Act provides, that in the event that the Commonwealth shall be called upon to pay the Authority any amount on account of any such deficiency, such amount with interest or other charges incurred in borrowing the money for the purpose, shall be assessed on the towns of Falmouth and Nantucket and the County of Dukes County, in the following appropriations: 10 percent on the Town of Falmouth,; 40 percent on the Town of Nantucket, Massachusetts; fifty percent on the County of Dukes County.

The Town of Nantucket is contingently liable for 40 percent of the amount of any deficit including operating and debt service cost, of the Authority. The last time any payment was required of the Town to subsidize operations the Authority was in 1962. The Authority presently estimates that in 2001 it will derive revenues from the operations of its steamship facility in excess of its cost of service, including debt service on bonds, during the year.

D. Guarantees - Nantucket Islands Land Bank

The Nantucket Islands Land Bank is a body politic and corporate and public instrumentality governed by provisions of Chapter 669 of the Massachusetts Acts of 1983, as amended. The Land Bank was created to acquire, hold and manage land on Nantucket in its natural, scenic and open condition. Its revenues for these purposes are derived primarily from a fee it is authorized to collect on all transfers of real estate occurring within the County of Nantucket, subject to certain exemptions. The Land Bank has incurred the following indebtedness that is secured by a pledge of the full faith and credit of the Town of Nantucket.

-1998 Series E refunding bonds dated July 15, 1998 bear interest rates ranging from 4.25 percent to 5.25 percent. The bonds mature serially from July 1, 2001 through July 1, 2019. The Series E bonds are secured by a second priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue, payable after all required payments are made with respect to the Series D bonds. The balance of the bonds is \$12,292,658 at June 30, 2001.

E. Landfill Closure and Postclosure Care

Under Section 150A, Chapter 111 as amended, the Department of Environmental Protection Division of Solid Waste Management (the "Department") is required to classify all unlined municipal landfills which have expressed an intent to operate beyond 1993, according to the threat they pose to human health and the environment. In order to comply with Federal and State Requirements, these landfills must be closed by July 1, 1995 and capped by October 15, 2001. The Department has identified the Nantucket sanitary landfill as a "Potential Threat" landfill. As such the landfill must install an approved groundwater monitoring system.

The Town has proposed to construct a solid waste management facility to be located at the site of and adjacent to the existing unlined sanitary landfill. Once the solid waste management facility is operating the existing unlined landfill will be closed.

The estimated cost of closure is approximately \$5,000,000.

6. OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Plans

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

Plan Description

The Town, as a member of the Barnstable County Retirement System, participates in a contributory retirement system that is partially funded by employee contributions. Each participating employers' share of the total annual contribution is determined on the basis of active teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute.

The retirement system and the teachers' retirement system are contributory defined benefit plans covering all Town employees and teachers deemed eligible. The retirement system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. Participation is mandatory for all full-time employees whose employment commences prior to age 65. Eligibility with respect to part-time professional, temporaries or intermittal employment is governed by the local board.

Both systems provide for retirement allowance benefits. For an employee to be eligible for service retirement, the following conditions are to be met: (1) completion of 20 years of service; (2) for an employee hired prior to 1978, attainment of age 55 as an active member; (3) for an employee hired after 1978, attainment of age 55 as an active member and completion of 10 years of service. Benefit payments are based upon a member's age, length of credited service, level of compensation and group classification. The retirement allowance is determined as a product of the participant's benefit rate times the average salary during the three consecutive year period which produces the highest average times credited service.

A participant who has completed 10 or more years of credited service is eligible for a deferred vested retirement benefit. If termination is involuntary, the participant is vested after 6 years. The participant's accrued benefit is payable commencing at age 55 or may be deferred until later at the employee's option. The system also provide for accidental disability, ordinary disability, and survivor benefits.

Active members contribute either 5, 7, 8 or 9% of their gross regular compensation depending on the date upon which their membership began.

Funding Status

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the retirement system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is independent of the actuarial funding method used to determine contributions to the retirement system.

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the retirement system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is

6. OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Plans (Continued)

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

Funding Status (Continued)

independent of the actuarial funding method used to determine contributions to the retirement system.

The last actuarial valuation was prepared by the Segal Company as of January 1, 2000.

The unfunded actuarial liability for the entire county is \$162,065,700. The Town's portion of such liability is approximately 9.3% or \$15,069,900.

Contribution Requirements and Contribution Made

The system's funding policy is governed by Section 22D (6A) of Chapter 32 and Chapter 697 of the Acts of 1987 of the Massachusetts General Laws. Under these sections the system is a "funding system" and has established a state-approved funding schedule to eliminate its unfunded liability. The members of the system are required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability. Amortization of the unfunded actuarial liability is to be based on a forty year schedule ending in 2028 for unfunded liabilities prior to removal of the salary cap and thirty year amortization of the additional unfunded liability for removal of the cap.

The Town's contribution to this plan for fiscal year 2001 was \$1,864,062.

In addition, the Town can provide supplemental funding under Section 5D of Chapter 40 of the Massachusetts General Laws. The total amount of the fund on June 30, 2001 is \$996,443 and is maintained as an expendable trust fund.

Reporting Policies

The funds of the retirement system are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued, and investments are amortized to value. The accounting records of the retirement system are maintained on a calendar basis in accordance with the standards and procedures outlined by the Commissioner of the Public Employee Retirement Administration.

Trend Information

Trend information showing the retirement system's progress in accumulating sufficient assets to pay benefits when due is required by generally accepted accounting principles to be included in the system's annual financial report. It is not known whether that report will contain the required historical trend information.

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

	Revenues	Expenditures	Other Financing Sources (Uses)	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	Fund Balances July 1, 2000	Fund Balances June 30, 2001
Highways	\$ 182,968	\$ 520,288	\$ -	\$ (337,320)	\$ (189,528)	\$ (526,848)
Federal Grants:						
School Title Grants	168,134	149,393	-	18,741	10,193	28,934
Downtown Partnership Grant	-	-	-	-	6,933	6,933
Shellfish Grant	-	-	-	-	8,835	8,835
Highway Planning Grant	25,720	5,749	-	19,971	129,953	149,924
Clean Vessel Act	8,880	16,637	-	(7,757)	(4,518)	(12,275)
Traffic Enhancement Grants	-	-	-	-	6,305	6,305
Rural Community Fire Protection Program	-	-	-	-	2,000	2,000
Hazardous Materials Emergency Plan	-	-	-	-	488	488
Police Grants	21,722	380	-	21,342	121,050	142,392
State Grants:						
School Grants	328,450	283,987	-	44,463	21,276	65,739
Arts Lottery	3,300	2,100	-	1,200	12,763	13,963
Council on Aging Grant	5,555	5,555	-	-	-	-
Underground Storage Tank Removal	-	-	-	-	31,046	31,046
Police Grants	22,200	12,674	-	9,526	38,831	48,357
Lakes and Ponds Grants	5,000	4,264	-	736	(9,989)	(9,253)
State Aid to Library	9,290	9,290	-	-	18,744	18,744
Comprehensive Plan Grant	-	4,440	-	(4,440)	7,589	3,149
Fire Safety Grant	23,729	23,401	-	328	1,515	1,843
Community Septic Management Program	3,132	29,167	-	(26,035)	41,472	15,437
Growth Plan Grant	-	26,658	-	(26,658)	(29,272)	(55,930)
Waterways Grant	166,226	-	-	166,226	(166,226)	-
County Grants:						
Mosquito Grant	-	46,294	-	(46,294)	48,805	2,511
Roads Grant	-	-	-	-	110,097	110,097
Police Construction	-	38,151	-	(38,151)	264,935	226,784
Total Schedule A-1	\$ 974,306	\$ 1,178,428	\$ -	\$ (204,122)	\$ 483,297	\$ 279,175

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

	Revenues	Expenditures	Other Financing Sources (Uses)	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	Fund Balances July 1, 2000	Fund Balances June 30, 2001
Schools:						
School Lunch Program	\$ 556,768	\$ 518,922	-	\$ 37,846	\$ 56,126	\$ 93,972
School Lunch Commodities	24,228	24,228	-	-	-	-
Private Foundation Grants	79,396	76,445	-	2,951	9,502	12,453
Community Use of School	495,637	812,092	\$ 316,706	251	(3,479)	(3,228)
Revolving Accounts	132,966	133,435	-	(469)	126,009	125,540
Other:						
Barnstable County Human Services Contract	2,295	2,295	-	-	-	-
Waterways Improvement	7,889	15,585	-	(7,696)	35,732	28,036
Ambulance	100,815	65,009	(207,367)	(171,561)	248,601	77,040
Insurance Recovery	-	-	-	-	32,846	32,846
Wetlands Act	-	-	-	-	13,982	13,982
Law Enforcement Fund	-	-	-	-	25,946	25,946
Low Beach Housing	19,915	27,164	-	(7,249)	13,298	6,049
Room Occupancy	-	-	-	-	112,586	112,586
FEMA Recovery	-	-	-	-	29,793	29,793
Shellfish Propagation	45,550	73,608	-	(28,058)	111,397	83,339
Siasconset Bluff Erosion	-	-	-	-	5,960	5,960
Siasconset Beach Preservation Fund	-	-	-	-	16	16
Siasconset Beach Preservation Escrow	-	-	-	-	55,207	55,207
Siasconset Beach Preservation Consultant	-	-	-	-	5,253	5,253
Juvenile Services	-	-	-	-	250	250
Beach Improvement Program	139,126	189,745	-	(50,619)	175,193	124,574
Park and Recreation Revolving	15,673	19,819	-	(4,146)	7,010	2,864
Tennis Court Revolving	39,684	42,174	-	(2,490)	142,776	140,286
Maintenance of Non-Public Roads Revolving	-	-	-	-	81,803	81,803
Gifts	37,497	39,106	(4,000)	(5,609)	131,957	126,348
Police Special Duty	204,632	185,019	-	19,613	(99,847)	(80,234)
Total Schedule A-2	1,902,071	2,224,646	105,339	(217,236)	1,317,917	1,100,681
Total Schedule A-1	974,306	1,178,428	-	(204,122)	483,297	279,175
\$	2,876,377	\$ 3,403,074	\$ 105,339	\$ (421,358)	\$ 1,801,214	\$ 1,379,856

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001**

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	Revenues	Expenditures	Other Financing Sources (Uses)	Financing Uses	Fund Balances July 1, 2000	Fund Balances June 30, 2001
Sewer Treatment Facility	\$ 6,494	-	-	\$ 6,494	\$ 3,216,375	\$ 3,222,869
Road Funds	-	-	-	-	1,157	1,157
Solid Waste Facility	15,569	\$ 716,554	-	(700,985)	902,369	201,384
Sewer Extension	-	-	-	-	27,196	27,196
Various Departmental Projects	-	1,752,266	\$ 960,367	(791,899)	5,223,747	4,431,848
	\$ 22,063	\$ 2,468,820	\$ 960,367	\$ (1,486,390)	\$ 9,370,844	\$ 7,884,454

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINED BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 2001**

	Siasconset Water Department	Sewer Department	Solid Waste Department	Wannacomet Water Company	Nantucket Memorial Airport	Totals (Memorandum Only)
Assets						
Cash and Cash Equivalents	\$ 297,667	\$ 185,988	\$ 295,676	\$ 48,717	\$ 405,863	\$ 1,233,911
Investments	-	-	28,436	2,789,153	3,514,137	6,331,726
Accounts Receivable:						
Departmental	-	-	-	-	1,195,038	1,195,038
User Charges	-	201,849	459,443	639,447	-	1,300,739
Less: Allowance for Uncollectible Accounts	-	-	-	(10,000)	(102,000)	(112,000)
Inventories	-	-	-	130,154	153,579	283,733
Due from Other Governments	-	-	-	-	1,114,956	1,114,956
Deferred Charges and Prepaid Expenses	-	-	-	-	4,476	4,476
Fixed Assets, (net, where applicable, of accumulated depreciation)	-	24,581,653	146,066	9,896,589	15,903,696	50,528,004
Amount to be Provided for Payment of Notes/Debt	-	2,557,134	-	-	-	2,557,134
Total Assets	\$ 297,667	\$ 27,526,624	\$ 929,621	\$ 13,494,060	\$ 22,189,745	\$ 64,437,717
Liabilities and Fund Equity						
Liabilities:						
Warrants Payable	-	\$ 167,353	\$ 460,702	\$ 25,074	\$ 454,758	\$ 1,107,887
Accounts Payable	-	-	-	239,952	765,957	1,005,909
Retainage Payable and Accrued Expenses	-	-	-	138,484	34,956	173,440
Refundable Deposits	-	-	-	-	146,439	146,439
Due to Other Funds	\$ 35,072	1,897,008	(818,606)	(1,062,509)	52,257	103,222
Interfund Payables	-	(2,256,945)	164,680	2,843,916	(29,090)	722,561
Unearned Revenue	-	-	-	-	60,300	60,300
Deferred Revenue:						
Other	-	201,849	459,443	-	2,021,558	2,682,850
Advances	-	-	-	-	16,200	16,200
Liabilities to be Repaid from Enterprise Funds - Bonds Payable	-	-	-	1,430,000	300,000	1,730,000
Notes Payable	-	-	-	-	2,204,717	2,204,717
General Obligation Bonds Payable	-	2,557,134	-	2,668,000	975,000	6,200,134
Total Liabilities	35,072	2,566,399	266,219	6,282,917	7,003,052	16,153,659
Fund Equity:						
Contributed Capital	-	23,754,767	162,511	1,814,002	9,671,284	35,402,564
Retained Earnings:						
Reserved Retained Earnings	-	577,523	123,052	357,490	745,918	1,803,983
Reserved for Deficits	(13,539)	(1,009,417)	(338,022)	-	-	(1,360,978)
Unreserved Retained Earnings	276,134	1,637,352	715,861	5,039,651	4,769,491	12,438,489
Total Fund Equity	262,595	24,960,225	663,402	7,211,143	15,186,693	48,284,058
Total Liabilities and Fund Equity	\$ 297,667	\$ 27,526,624	\$ 929,621	\$ 13,494,060	\$ 22,189,745	\$ 64,437,717

**TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF ENTERPRISE FUND REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR JUNE 30, 2001**

	Siasconset Water Department	Sewer Department	Solid Waste Department	Wannacomet Water Company	Nantucket Memorial Airport	Totals (Memorandum Only)
Operating Revenues:						
Collections and User Fees	\$ 145,881	\$ 959,813	\$ 2,567,068	\$ 1,700,370	-	\$ 5,373,132
Sales of Fuel and Additives (net of discounts)	-	-	-	-	3,625,569	3,625,569
Less: Cost of Goods Sold	-	-	-	-	(2,436,803)	(2,436,803)
Charges for Fees and Services	-	-	-	8,602	2,735,096	2,743,698
Other Revenue	-	-	-	179,392	411,606	590,998
Total Net Operating Revenues	145,881	959,813	2,567,068	1,888,364	4,335,468	9,896,594
Operating Expenses:						
Operating Costs	173,677	907,718	5,348,402	1,321,497	3,449,521	11,200,815
Depreciation Expense	-	-	-	377,570	935,893	1,313,463
Total Operating Expenses	173,677	907,718	5,348,402	1,699,067	4,385,414	12,514,278
Operating Income (Loss)	(27,796)	52,095	(2,781,334)	189,297	(49,946)	(2,617,684)
Non-Operating Revenues (Expenses):						
Interest Income	7,293	10,972	43,311	41,983	122,048	225,607
State Subsidies for Debt Payments	-	16,664	-	-	-	16,664
Proceeds of Notes and Bonds	-	2,333,927	-	-	-	2,333,927
Capital Outlay	-	(1,423,178)	-	-	-	(1,423,178)
Payment of Debt	-	(10,532)	-	-	-	(10,532)
Interest Expense	-	(65,128)	-	(173,716)	(24,996)	(263,840)
Loss on Retirement of Meters	-	-	-	(89,952)	-	(89,952)
Total Non-Operating Revenues (Expenses)	7,293	862,725	43,311	(221,685)	97,052	788,696
Income (Loss) Before Operating Transfers	(20,503)	914,820	(2,738,023)	(32,388)	47,106	(1,828,988)
Operating Transfers In (Out)	-	-	1,900,000	-	-	1,900,000
Net Income (Loss)	(20,503)	914,820	(838,023)	(32,388)	47,106	71,012
Add depreciation on fixed assets acquired by capital grants/contributed capital	-	-	-	38,206	768,968	807,174
Net Increase (Decrease) in Retained Earnings	(20,503)	914,820	(838,023)	5,818	816,074	878,186
Retained Earnings, July 1, 2000	283,098	290,638	1,338,914	5,391,323	4,699,335	12,003,308
Retained Earnings, June 30, 2001	\$ 262,595	\$ 1,205,458	\$ 500,891	\$ 5,397,141	\$ 5,515,409	\$ 12,881,494

Schedule D
TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF INTERNAL SERVICE FUND REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

	Health Insurance Fund
Operating Revenues:	
Contributions from Employers and Employees	\$ 3,621,516
Total Operating Revenues	<u>3,621,516</u>
Operating Expenses:	
Claims Paid	<u>5,073,544</u>
Total Operating Expenses	<u>5,073,544</u>
Operating Income (Loss)	<u>(1,452,028)</u>
Non-Operating Revenues (Expenses):	
Interest Income	<u>6,173</u>
Total Non-Operating Revenues (Expenses)	<u>6,173</u>
Income (Loss) Before Operating Transfers	(1,445,855)
Operating Transfers In (Out)	<u>(371,806)</u>
Net Income (Loss)	(1,817,661)
Fund Balance - July 1, 2000	<u>-</u>
Fund Balance - June 30, 2001	<u><u>\$ (1,817,661)</u></u>

Schedule E-1

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF TRUST FUND REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES - NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	Operating Revenues	Net Income (Loss)	Fund Balances July 1, 2000	Fund Balances June 30, 2001
Cemetery Funds:				
Perpetual Care Fund	\$ 300	\$ 300	\$ 60,863	\$ 61,163
Caroline F. Austin Fund	-	-	859	859
Friends Burial Ground Fund	-	-	1,658	1,658
School Funds:				
McGlathlin School Fund	-	-	616,296	616,296
Blackburn School Fund	-	-	10,000	10,000
J. Fisher School Fund	-	-	10,000	10,000
Maribeth C. Ingram Snow Scholarship Fund	-	-	5,000	5,000
William Byron Holland Snow Fund	-	-	10,000	10,000
Lucy A. Fisher Scholarship Fund	-	-	3,000	3,000
Nantucket High School Scholarship Fund -				
Katherine Gardner Fund	-	-	52,831	52,831
Harry Gordon Scholarship Fund	-	-	172,958	172,958
Miriam Congdon Altschul Scholarship Fund	-	-	103,700	103,700
Sanford Fund	-	-	70,583	70,583
Our Island Home:				
Kuczkowski Fund	-	-	102,741	102,741
Pauline Smith Freeman Fund	-	-	127,394	127,394
Albert Lewis Fund	-	-	13,837	13,837
Mary W. Babcock Memorial Fund	-	-	500	500
	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 1,362,220</u>	<u>\$ 1,362,520</u>

TOWN OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF TRUST FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

							Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		Fund Balances July 1, 2000	Fund Balances June 30, 2001
	Additions	Revenues	Expenditures	Other Financing Sources (Uses)						
Stabilization Fund	-	\$ 40,792	-	-	\$ 40,792	\$ 758,410	\$ 799,202			
Cemetery Funds:										
Perpetual Care Fund	-	11,744	\$ 16,884	-	(5,140)	158,939	153,799			
Cemetery Lots	\$ 1,600	625	-	-	2,225	11,616	13,841			
Caroline F. Austin Fund	-	179	-	-	179	2,458	2,637			
Friends Burial Ground Fund	-	337	-	-	337	4,605	4,942			
School Funds:										
McGlothlin School Fund	-	36,188	34,460	-	1,728	37,720	39,448			
Blackburn School Fund	-	553	-	-	553	(864)	(311)			
J. Fisher School Fund	-	661	2,100	-	(1,439)	790	(649)			
General Scholarship Fund	11,426	379	15,500	-	(3,695)	10,531	6,836			
Maribeth C. Ingram Snow Scholarship Fund	-	277	-	-	277	(432)	(155)			
William Byron Holland Snow Fund	-	836	-	-	836	5,387	6,223			
Lucy A. Fisher Scholarship Fund	-	231	-	-	231	173	404			
Robert E. Diamond Scholarship Fund	-	(33)	-	-	(33)	8,689	8,656			
Nantucket High School Scholarship Fund -										
Katherine Gardner Fund	-	2,918	-	-	2,918	1,314	4,232			
Harry Gordon Scholarship Fund	-	64,416	-	-	64,416	1,009,887	1,074,303			
Miriam Congdon Altschul Scholarship Fund	-	6,616	12,820	-	(6,204)	20,958	14,754			
Walter Spencer Barrett Scholarship Fund	-	4,631	-	-	4,631	92,498	97,129			
Alison Linnel Scholarship Fund	1,000	-	-	-	1,000	-	1,000			
Siasconset Acquirer Land Taking	-	-	100,000	-	(100,000)	133,997	33,997			
Our Island Home:										
Kuczkowski Fund	-	12,267	15,795	-	(3,528)	130,086	126,558			
Pauline Smith Freeman Fund	-	9,650	-	-	9,650	52,019	61,669			
Albert Lewis Fund	-	888	-	-	888	2,680	3,568			
Old Historic District Landscape Fund	-	1,414	-	-	1,414	26,293	27,707			
Conservation Fund	-	456	-	-	456	8,474	8,930			
Mary W. Babcock Memorial Fund	-	88	-	-	88	1,133	1,221			
Pension Fund	-	50,859	-	-	50,859	945,584	996,443			
Health Insurance Trust	-	-	-	\$ 371,806	371,806	(371,806)	-			
Workmen's Compensation Fund	149,648	8,956	142,626	-	15,978	411,668	427,646			
Elder Services Van Fund	1,938	459	-	-	2,397	14,327	16,724			
	165,612	256,387	340,185	371,806	453,620	3,477,134	3,930,754			
Unrealized Gain/(Loss) on Investments	-	225,796	-	-	225,796	(76,722)	149,074			
	\$ 165,612	\$ 482,183	\$ 340,185	\$ 371,806	\$ 679,416	\$ 3,400,412	\$ 4,079,828			

**TOWN OF NANTUCKET, MASSACHUSETTS
GENERAL DEBT
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2001**

Description	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Balance July 1, 2000	Issued During Year	Paid During Year	Balance June 30, 2001
Inside Debt Limit:								
General Obligation Bonds of 1997	Various	7/15/97	7/15/2017	\$ 27,750,000	\$ 26,085,000	-	\$ 900,000	\$ 25,185,000
General Obligation Bonds of 2001	Various	5/15/01	5/15/18	\$330,000	-	\$ 330,000	-	330,000
Outside Debt Limit:								
General Obligation Bonds (1)	Various	12/1/91	12/1/2011	\$ 44,385,000	3,725,000	-	1,235,000	2,490,000
General Obligation Bonds of 1997	Various	7/15/97	7/15/2017	\$ 14,375,000	14,375,000	-	-	14,375,000
					<u>\$ 44,185,000</u>	<u>\$ 330,000</u>	<u>\$ 2,135,000</u>	<u>\$ 42,380,000</u>

Amortization Schedule			
	Principal	Interest	Total
2002	\$ 2,265,000	\$ 2,199,496	\$ 4,464,496
2003	2,420,000	2,077,906	4,497,906
2004	2,550,000	1,954,450	4,504,450
2005	2,675,000	1,821,750	4,496,750
2006	2,795,000	1,672,157	4,467,157
2007-2018	29,675,000	8,222,107	37,897,107
	<u>\$ 42,380,000</u>	<u>\$ 17,947,866</u>	<u>\$ 60,327,866</u>

(1) Refinanced subject to terms of Refunding Trust Agreement

**TOWN OF NANTUCKET, MASSACHUSETTS
ENTERPRISE FUND DEBT
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2001**

Description	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Balance July 1, 2000	Issued During Year	Paid During Year	Balance June 30, 2001
Inside Debt Limit:								
Sewer Department:								
<i>Massachusetts Water Pollution Abatement Trust:</i>								
Water Pollution Abatement Bonds:								
Loan No. 94-10	Various	5/1/95	2/1/15	\$ 279,888	\$ 233,739	-	\$ 10,532	\$ 223,207
Loan No. 98-143	Various	11/8/00	8/1/20	\$ 1,012,863	-	\$ 1,012,863	-	1,012,863
Loan No. 94-144	Various	11/8/00	8/1/20	\$ 224,577	-	224,577	-	224,577
Loan No. 94-145	Various	11/8/00	8/1/20	\$ 246,487	-	246,487	-	246,487
General Obligation Bonds of 2001	Various	5/15/01	5/15/21	\$ 850,000	-	850,000	-	850,000
Outside Debt Limit:								
Wannacomet Water Department:								
General Obligation Bonds of 2001:								
Water Projects	Various	5/15/01	5/15/21	\$ 1,168,000	-	1,168,000	-	1,168,000
Water Meters	Various	5/15/01	5/15/21	\$ 1,500,000	-	1,500,000	-	1,500,000
Nantucket Memorial Airport:								
General Obligation Bonds of 2001	Various	5/15/01	5/15/21	\$ 975,000	-	975,000	-	975,000
					<u>\$ 233,739</u>	<u>\$ 5,976,927</u>	<u>\$ 10,532</u>	<u>\$ 6,200,134</u>

Amortization Schedule			
	Principal	Interest	Total
2002	\$ 421,125	\$ 277,867	\$ 698,992
2003	419,979	260,453	680,432
2004	421,928	243,062	664,990
2005	423,873	225,641	649,514
2006	425,814	208,192	634,006
2007-2021	4,087,415	1,297,983	5,385,398
	<u>\$ 6,200,134</u>	<u>\$ 2,513,198</u>	<u>\$ 8,713,332</u>

Schedule G

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF TREASURER'S CASH
JUNE 30, 2001**

Composition of Cash Balances:

Interest Bearing Accounts:	
Citizens Bank	\$ 1,021,255
Fleet Bank	3,682,496
Nantucket Bank	5,099,587
State Street Bank and Trust Company	163,415
Certificates of Deposit	2,164,746
Petty Cash	550
	<hr/>
	12,132,049
Cash Variance	17,437
	<hr/>
	<u>\$ 12,149,486</u>

Presentation of Cash on Balance Sheet:

General Fund	\$ 10,452,008
Special Revenue Fund	134,243
Enterprise Fund	1,233,911
Internal Service Fund	85,897
Trust and Agency Fund	243,427
	<hr/>
	<u>\$ 12,149,486</u>

Schedule H

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF INVESTMENTS
JUNE 30, 2001**

	Cost Value	Market Value
Composition of Investments Balances:		
Massachusetts Municipal Depository Trust	\$ 9,703,519	\$ 9,703,519
Fleet Bank Pooled Investment Account	5,036,745	5,185,519
Paine Webber Investment Account	10,553	10,553
	<u>\$ 14,750,817</u>	<u>\$ 14,899,591</u>

Presentation of Investments on Balance Sheet:

General Fund	\$ 3,371,793
Enterprise Fund	6,331,726
Trust and Agency Fund	5,196,072
	<u>\$ 14,899,591</u>

Schedule I

TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2000 TO JUNE 30, 2001

	Uncollected Taxes July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Taxes Collectible	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2001
Real Estate Taxes:						
Levy of 2001	-	\$ 31,348,642	\$ 269,357	\$ 31,079,285	\$ 29,456,670	\$ 1,622,615
Levy of 2000	\$ 967,177	-	287,686	679,491	306,982	372,509
Levy of 1999	268,271	-	(66,529)	334,800	92,331	242,469
Levy of 1998	200,188	-	8,957	191,231	2,526	188,705
Levy of 1997	199,021	-	(60,239)	259,260	58	259,202
Levy of 1996	10,473	-	-	10,473	23	10,450
Levy of 1995	23,840	-	-	23,840	3	23,837
Levy of 1993	37,361	-	-	37,361	-	37,361
Levy of 1992	26,180	-	-	26,180	-	26,180
Prior Years	45,733	-	-	45,733	-	45,733
	<u>1,778,244</u>	<u>31,348,642</u>	<u>439,232</u>	<u>32,687,654</u>	<u>29,858,593</u>	<u>2,829,061</u>
Personal Property Taxes:						
Levy of 2001	-	806,824	7,671	799,153	748,563	50,590
Levy of 2000	33,300	-	(36,442)	69,742	33,681	36,061
Levy of 1999	42,027	-	18,255	23,772	3,608	20,164
Levy of 1998	17,981	-	(197)	18,178	2,188	15,990
Levy of 1997	42,505	-	49	42,456	1,948	40,508
Levy of 1996	38,767	-	3,044	35,723	1,364	34,359
Levy of 1995	36,048	-	3,242	32,806	1,537	31,269
Levy of 1994	26,456	-	2,325	24,131	1,687	22,444
Levy of 1993	25,713	-	3,419	22,294	1,372	20,922
Levy of 1992	19,597	-	6,765	12,832	1,313	11,519
Prior Years	25,364	-	-	25,364	350	25,014
	<u>307,758</u>	<u>806,824</u>	<u>8,131</u>	<u>1,106,451</u>	<u>797,611</u>	<u>308,840</u>
Total Real Estate and Personal Property Taxes	<u>\$ 2,086,002</u>	<u>\$ 32,155,466</u>	<u>\$ 447,363</u>	<u>\$ 33,794,105</u>	<u>\$ 30,656,204</u>	<u>\$ 3,137,901</u>

TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2000 TO JUNE 30, 2001

	Uncollected Taxes July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Taxes Collectible	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2001
Motor Vehicle Excise Taxes:						
Levy of 2001	-	\$ 1,108,728	\$ 14,604	\$ 1,094,124	\$ 957,437	\$ 136,687
Levy of 2000	\$ 101,754	541,038	418,068	224,724	112,152	112,572
Levy of 1999	339,128	27,804	(196,203)	563,135	528,915	34,220
Levy of 1998	29,576	-	8,992	20,584	7,109	13,475
Levy of 1997	37,397	-	5,577	31,820	1,007	30,813
Levy of 1996	35,514	-	(60)	35,574	942	34,632
Levy of 1995	26,835	-	30	26,805	816	25,989
Levy of 1994	7,394	-	1,643	5,751	229	5,522
Levy of 1993	4,153	-	(3,081)	7,234	712	6,522
Levy of 1992	8,904	-	-	8,904	536	8,368
Prior Years	112,169	-	-	112,169	1,171	110,998
Total Motor Vehicle Excise Taxes	702,824	1,677,570	249,570	2,130,824	1,611,026	519,798
Boat Excise Taxes:						
Levy of 2000	-	65,704	1,058	64,646	39,470	25,176
Levy of 1999	17,469	-	1,048	16,421	(10)	16,431
Levy of 1998	12,705	-	15	12,690	-	12,690
Levy of 1997	8,392	-	160	8,232	(4)	8,236
Levy of 1996	8,964	-	328	8,636	-	8,636
Levy of 1995	7,363	-	25	7,338	30	7,308
Total Boat Excise Taxes	54,893	65,704	2,634	117,963	39,486	78,477
Total Motor Vehicle Excise and Boat Excise Taxes	\$ 757,717	\$ 1,743,274	\$ 252,204	\$ 2,248,787	\$ 1,650,512	\$ 598,275

Schedule K

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
JULY 1, 2000 TO JUNE 30, 2001**

	Uncollected Accounts July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2001
Tax Liens	\$ 1,278,195	\$ 128,568	\$ -	\$ 1,406,763	\$ 161,361	\$ 1,245,402
Tax Foreclosures	\$ 1,062	\$ -	\$ (115)	\$ 1,177	\$ -	\$ 1,177

Schedule L

**TOWN OF NANTUCKET, MASSACHUSETTS
GENERAL FUND, SPECIAL REVENUE FUND AND ENTERPRISE FUND
SCHEDULE OF DEPARTMENTAL RECEIVABLES
JULY 1, 2000 TO JUNE 30, 2001**

	Uncollected Accounts July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2001
General Fund:						
Our Island Home	\$ 334,638	\$ 1,381,177	\$ 336,436	\$ 1,379,379	\$ 1,288,284	\$ 91,095
Police Off-Duty Detail - Administrative Fee	474	-	-	474	-	474
Insurance Proceeds		9,180		9,180		9,180
	<u>\$ 335,112</u>	<u>\$ 1,390,357</u>	<u>\$ 336,436</u>	<u>\$ 1,389,033</u>	<u>\$ 1,288,284</u>	<u>\$ 100,749</u>
Special Revenue Fund:						
Ambulance	\$ 180,825	\$ 199,505	\$ -	\$ 380,330	\$ 199,505	\$ 180,825
Police Off-Duty Detail	110,245	185,381	-	295,626	174,059	121,567
	<u>\$ 291,070</u>	<u>\$ 384,886</u>	<u>\$ -</u>	<u>\$ 675,956</u>	<u>\$ 373,564</u>	<u>\$ 302,392</u>
Enterprise Departmental Receivable Audited by Other Auditors:						
Nantucket Memorial Airport						<u>\$ 1,195,038</u>

Schedule M

**TOWN OF NANTUCKET, MASSACHUSETTS
GENERAL FUND AND ENTERPRISE FUND
SCHEDULE OF ACCOUNTS RECEIVABLE
JULY 1, 2000 TO JUNE 30, 2001**

	Uncollected Accounts July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2001
General Fund:						
Landfill Fees-1990	\$ 76,320	\$ -	\$ -	\$ 76,320	\$ -	\$ 76,320
Enterprise Fund:						
Wastewater	\$ 192,212	\$ 701,465	-	\$ 893,677	\$ 701,465	\$ 192,212
Solid Waste	10,573	220,365	-	230,938	186,545	44,393
Solid Waste Tipping Fees	75,807	2,508,962	-	2,584,769	2,193,438	391,331
Sewer Liens Added to Taxes	27,168	-	-	27,168	17,531	9,637
Landfill Liens Added to Taxes	28,631	-	\$ 1,204	27,427	3,708	23,719
	334,391	3,430,792	1,204	3,763,979	3,102,687	661,292
Enterprise Accounts Receivable						
Audited by Other Auditors:						
Wannacomet Water Company						639,447
						<u>\$ 1,300,739</u>

**TOWN OF NANTUCKET, MASSACHUSETTS
GENERAL FUND AND SPECIAL REVENUE FUND
SCHEDULE OF SPECIAL ASSESSMENTS RECEIVABLE
JULY 1, 2000 TO JUNE 30, 2001**

	Uncollected Accounts July 1, 2000	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2001
General Fund:						
Golf View Drive Betterments Added to Taxes:						
2001 Taxes	\$ -	\$ 1,627	\$ -	\$ 1,627	\$ 1,298	\$ 329
2000 Taxes	-	-	(144)	144	-	144
Golf View Drive Betterments Added to Taxes:	<u>\$ -</u>	<u>\$ 1,627</u>	<u>\$ (144)</u>	<u>\$ 1,771</u>	<u>\$ 1,298</u>	<u>\$ 473</u>
Golf View Drive Betterments Not Yet Due	<u>\$ 8,535</u>	<u>\$ -</u>	<u>\$ 2,623</u>	<u>\$ 5,912</u>	<u>\$ 706</u>	<u>\$ 5,206</u>
Special Revenue Fund:						
Title V Septic Betterments Not Yet Due	<u>\$ -</u>	<u>\$ 27,252</u>	<u>\$ -</u>	<u>\$ 27,252</u>	<u>\$ -</u>	<u>\$ 27,252</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of Nantucket, Massachusetts

We have audited the financial statements of the Town of Nantucket, Massachusetts as of and for the year ended June 30, 2001, and have issued our report thereon dated March 29, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Nantucket, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Nantucket, Massachusetts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Nantucket, Massachusetts in a separate letter dated March 29, 2002.

This report is intended for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
March 29, 2002

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001 AND
INDEPENDENT AUDITORS' REPORT REQUIRED UNDER
THE SINGLE AUDIT**

TOWN OF NANTUCKET, MASSACHUSETTS

**THOMAS J. SCANLON
CERTIFIED PUBLIC ACCOUNTANT
4A SUGARLOAF STREET
SO. DEERFIELD MA 01373**

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts Department of Education:			
Food Distribution-School Lunch Commodities	10-197	10.550	\$ 24,228
School Breakfast Program	10-197	10.553	761
National School Lunch Program	10-197	10.555	25,395
Total U. S. Department of Agriculture			<u>50,384</u>
U. S. Department of the Interior			
Passed Through Commonwealth of Massachusetts			
Department of Fisheries, Wildlife and Environmental Law Enforcement:			
Clean Vessel Act		15.616	16,637
Total U. S. Department of the Interior			<u>16,637</u>
U. S. Department of Justice			
Direct Programs:			
Office of Justice Programs			
Law Enforcement Block Grant No. 98LBVX6312		16.592	380
Total U. S. Department of Justice			<u>380</u>
U. S. Department of Transportation			
Direct Program:			
Federal Aviation Administration			
Airport Improvement Program:			
Grant No. 3-25-0033-24		20.106	24,937
Grant No. 3-25-0033-25		20.106	5,879
Grant No. 3-25-0033-26		20.106	27,335
Grant No. 3-25-0033-27		20.106	762,100
Grant No. 3-25-0033-28		20.106	85,754
Grant No. 3-25-0033-29		20.106	6,441
Passed Through Commonwealth of Massachusetts			
Highway Department:			
Highway Planning and Construction:			
3C Transportation Planning	98360	20.205	5,749
Total U. S. Department of Transportation			<u>918,195</u>
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts Department of Education:			
Title I-2001	305-229-1-0197-B	84.010	22,834
Special Education 94-142 Allocation-2001	240-303-1-0197-B	84.027	100,320
Special Education Professional Development-2001	274-300-1-0197-B	84.027	9,083
Title VI-2001	302-248-1-0197-B	84.151	2,550
Teacher Training Math and Science-2000	303-108-0-0197-A	84.164	3,586
Special Education Early Childhood Allocation-2001	262-227-1-0197-B	84.173	8,743
Class Size Reduction Program-2001	651-282-1-0197-B	84.340	748
Passed Through Cape Cod Community College:			
School to Work Transition		84.278	1,502
Total U. S. Department of Education			<u>149,366</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,134,962</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

TOWN OF NANTUCKET, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the expenditures of the Town's federal award programs presented on the modified accrual basis of accounting.

Under the modified accrual basis of accounting expenditures are recorded when the liability is incurred, if measurable.

2. FOOD DISTRIBUTION

Non-cash assistance, such as food commodities and donated equipment, is reported in the schedule at the fair market value of the commodities received and disbursed.

**TOWN OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable condition identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable condition identified not considered to be a material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	U. S. Department of Transportation - Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

Section II-Financial Statement Findings

There are no reportable conditions in internal control over major programs.

Section III-Federal Award Findings and Questioned Costs

There are no findings or questioned costs noted on federal programs.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable Board of Selectmen
Town of Nantucket, Massachusetts

Compliance

We have audited the compliance of the Town of Nantucket, Massachusetts with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Town of Nantucket, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on the Town of Nantucket, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Nantucket, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Nantucket, Massachusetts' compliance with those requirements.

In our opinion, the Town of Nantucket, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Town of Nantucket, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Nantucket, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
March 29, 2002

COUNTY OF NANTUCKET, MASSACHUSETTS

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001 AND
INDEPENDENT AUDITORS' REPORTS THEREON**

**THOMAS J. SCANLON
CERTIFIED PUBLIC ACCOUNTANT
4A SUGARLOAF STREET
SO. DEERFIELD MA 013736**

INDEPENDENT AUDITOR'S REPORT

To the County Commissioners
County of Nantucket, Massachusetts

We have audited the accompanying general purpose financial statements of the County of Nantucket, Massachusetts as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the County of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Nantucket Islands Land Bank, which statement reflect total assets of \$117,312,829 as of June 30, 2001, and total revenues of \$19,395,516 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts identified for the Nantucket Islands Land Bank, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As is the practice of many governmental units in the Commonwealth of Massachusetts, the County has not maintained a complete record of the cost of its general fixed assets and, accordingly, a complete general fixed assets account group, required by generally accepted accounting principles, is not presented in the accompanying general purpose financial statements.

In our opinion, based on our audit and the reports of other auditors, except for the omission of a complete general fixed asset group of accounts, results in an incomplete presentation, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Nantucket, Massachusetts, as of June 30, 2001 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2002 on our consideration of the County of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the County of Nantucket, Massachusetts, taken as a whole. The combining statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Nantucket, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
March 29, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2001

	Governmental Fund Types		Totals Primary Government	Component Unit	Totals Reporting Entity
	General	Special Revenue	(Memorandum Only)	Nantucket Islands Land Bank	(Memorandum Only)
Assets					
Cash and Cash Equivalents (Schedule B, Note 2A)	\$ 31,685	\$ 2,730,016	\$ 2,761,701	\$ 13,652,784	\$ 16,414,485
Investments	-	-	-	2,000,000	2,000,000
Accounts Receivable	-	-	-	12,845	12,845
Due from Other Funds (Note 2B)	1,012,240	-	1,012,240	-	1,012,240
Due from Other Governments (Note 2C)	29,824	39,810	69,634	-	69,634
Other Assets:					
Life Insurance Proceeds Receivable	-	-	-	685,157	685,157
Accrued Interest Receivable	-	-	-	347,661	347,661
Prepaid Fees	-	-	-	190,864	190,864
Cash Value of Life Insurance	-	-	-	184,000	184,000
Designated Assets (Note 2G):					
Cash and Cash Equivalents	-	-	-	2,261,294	2,261,294
Investments	-	-	-	2,827,417	2,827,417
Real Estate (Note 2D)	-	-	-	95,150,807	95,150,807
Total Assets	\$ 1,073,749	\$ 2,769,826	\$ 3,843,575	\$ 117,312,829	\$ 121,156,404
Liabilities and Fund Equity					
Liabilities:					
Warrants Payable (Note 2E)	\$ 10,774	-	\$ 10,774	-	\$ 10,774
Accounts Payable	-	-	-	13,906	13,906
Employee Withholdings	4,083	-	4,083	-	4,083
Due to Other Funds (Note 2B)	-	\$ 1,012,240	1,012,240	-	1,012,240
Due to Other Governments	75,000	-	75,000	-	75,000
Accrued Expenses	-	-	-	6,113	6,113
Accrued Interest Payable	-	-	-	405,825	405,825
Security Deposits	-	-	-	2,300	2,300
Current Portion of Notes Payable (Note 2F)	-	-	-	2,980,000	2,980,000
Current Portion of Bonds Payable (Note 2F)	-	-	-	585,000	585,000
Notes Payable - net of current portion (Note 2F)	-	-	-	2,325,000	2,325,000
Bonds Payable - net of current portion (Note 2F)	-	-	-	14,517,658	14,517,658
Total Liabilities	89,857	1,012,240	1,102,097	20,835,802	21,937,899
Fund Equity:					
Retained Earnings/Fund Balances:					
Unrestricted:					
Designated for Specific Purposes (Note 2G)	-	-	-	5,088,711	5,088,711
Undesignated	-	-	-	91,388,316	91,388,316
Fund Balances:					
Undesignated	983,892	1,757,586	2,741,478	-	2,741,478
Total Fund Equity	983,892	1,757,586	2,741,478	96,477,027	99,218,505
Total Liabilities and Fund Equity	\$ 1,073,749	\$ 2,769,826	\$ 3,843,575	\$ 117,312,829	\$ 121,156,404

**COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR JUNE 30, 2001**

	Governmental Fund Types		Totals
	General Fund	Special Revenue	(Memorandum Only)
Revenues:			
Town Assessment	\$ 200,000	-	\$ 200,000
Departmental	220,208	\$ 1,150,133	1,370,341
Other	75,990	135,157	211,147
Total Revenues	496,198	1,285,290	1,781,488
Expenditures:			
County Administration	211,183	-	211,183
Registry of Deeds	232,141	12,661	244,802
Sheriff's Department	381,079	527,470	908,549
Special Projects	-	-	-
Escrows	-	10,075	10,075
Total Expenditures	824,403	550,206	1,374,609
Excess of Revenues Over (Under) Expenditures	(328,205)	735,084	406,879
Other Financing Sources (Uses):			
Operating Transfers In	427,602	-	427,602
Operating Transfers Out	-	(427,602)	(427,602)
Total Other Financing Sources (Uses)	427,602	(427,602)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	99,397	307,482	406,879
Fund Balances, Beginning of Year	884,495	1,450,104	2,334,599
Fund Balances, End of Year	\$ 983,892	\$ 1,757,586	\$ 2,741,478

The Notes to the Financial Statements are an integral part of this Statement.

Exhibit C

**COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR JUNE 30, 2001**

	Budget/ Net Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Town Assessment	\$ 200,000	\$ 200,000	-
Registry of Deeds	243,043	220,208	\$ (22,835)
Other Departmental	16,570	75,990	59,420
Total Revenues	459,613	496,198	36,585
Expenditures:			
County Administration	484,650	211,183	273,467
Registry of Deeds	413,043	232,141	180,902
Sheriff's Department	530,791	381,079	149,712
Total Expenditures	1,428,484	824,403	604,081
Excess of Revenues Over (Under) Expenditures	(968,871)	(328,205)	640,666
Other Financing Sources (Uses):			
Interfund	753,418	427,602	(325,816)
Total Other Financing Sources (Uses)	753,418	427,602	(325,816)
Budget Variance:			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (215,453)	\$ 99,397	\$ 314,850

The Notes to the Financial Statements are an integral part of this Statement.

Exhibit D

**COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES -
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2001**

	Component Unit	Totals Reporting Entity
	Nantucket Islands Land Bank	(Memorandum Only)
Revenues:		
Fee Revenue	\$ 11,119,974	\$ 11,119,974
Interest Earned	1,196,407	1,196,407
Donated Land	3,694,990	3,694,990
Contributions	2,666,866	2,666,866
Life Insurance Proceeds	650,000	650,000
Rental Income	62,791	62,791
Miscellaneous Income	4,488	4,488
Total Revenues	19,395,516	19,395,516
Expenses:		
Administrative Expenses	619,274	619,274
Interest Expense	1,113,507	1,113,507
Capital Projects Property	121,256	121,256
Total Expenses	1,854,037	1,854,037
Excess of Revenues Over Expenses	17,541,479	17,541,479
Fund Balances, Beginning of Year	78,935,548	78,935,548
Fund Balances, End of Year	\$ 96,477,027	\$ 96,477,027

The Notes to the Financial Statements are an integral part of this Statement.

**COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINED STATEMENT OF CASH FLOWS -
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2001**

	Component Unit	Totals Reporting Entity
	Nantucket Islands Land Bank	(Memorandum Only)
Cash Flows From Operating Activities:		
Excess of Revenues Over Expenses	\$ 17,541,479	\$ 17,541,479
Adjustments to reconcile excess of revenues over expenditures to cash provided by operating activities:		
Depreciation	12,623	12,623
Amortization of Original Issued Discount	16,917	16,917
Net Increase in Cash Value of Life Insurance	(13,788)	(13,788)
Net Increase in Donated Land	(3,694,990)	(3,694,990)
Net Increase in Accounts Receivable	(3,413)	(3,413)
Net Increase in Life Insurance Proceeds Receivable	(685,157)	(685,157)
Net Increase in Accrued Interest Receivable	(265,264)	(265,264)
Net Decrease in Accrued Expenses, Accrued Interest, Security Deposits, and Accounts Payable	(11,678)	(11,678)
Net Adjustments	(4,644,750)	(4,644,750)
Net Cash Provided by Operating Activities	12,896,729	12,896,729
Cash Flows from Investing Activities:		
Acquisition of Land, Building and Improvements	(9,444,707)	(9,444,707)
Purchase of Investments	(2,595,000)	(2,595,000)
Net Increase in Land Deposits	(450,827)	(450,827)
Net Cash Applied to Investing Activities	(12,490,534)	(12,490,534)
Cash Flows from Financing Activities:		
Payments on Notes Payable	(230,000)	(230,000)
Payment on Bonds Payable	(460,000)	(460,000)
Net Cash Applied to Financing Activities	(690,000)	(690,000)
Net Increase in Cash and Cash Equivalents	(283,805)	(283,805)
Cash and Cash Equivalents, Beginning of Year	16,197,883	16,197,883
Cash and Cash Equivalents, End of Year	\$ 15,914,078	\$ 15,914,078
Cash and Cash Equivalents, Restricted	\$ 2,261,294	\$ 2,261,294
Cash and Cash Equivalents, Unrestricted	13,652,784	13,652,784
	\$ 15,914,078	\$ 15,914,078
Additional Disclosure of Cash Flow Information:		
Interest Paid During the Year	\$ 1,113,507	\$ 1,113,507

Supplemental Disclosure of Non-Cash Activity:

During Fiscal Year 2001, the Land Bank received land through donations in the amount of \$3,694,990

During Fiscal Year 2001, land and buildings with a net book value of \$197,460 was exchanged with the Town of Nantucket for another parcel of land.

During Fiscal Year 2001, Land Bank deposits on real estate at June 30, 2000 in the amount of \$95,150 were applied toward land acquisitions.

The Notes to the Financial Statements are an integral part of this Statement.

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Nantucket, Massachusetts is located in the Atlantic Ocean and lies approximately 30 miles south of Cape Cod in the Commonwealth of Massachusetts.

The Town of Nantucket comprises the County of Nantucket.

The Town of Nantucket selectmen serve ex officio as the County Commissioners.

The principal services provided by the county are the Registry of Deeds and the Sheriff's Office.

As required by generally accepted accounting principles, the accompanying financial statements present the County of Nantucket and its component unit, an entity for which the government is considered to be financially accountable. There are two types of component units. Blended component units are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column of the combined financial statements to emphasize it is legally separated from the government. The discretely presented component unit has a June 30 year end.

Discretely Presented Component Unit:

The Nantucket Islands Land Bank (the Land Bank) was created by Chapter 669 of the Acts of 1983 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection on the Island of Nantucket Islands. The Land Bank is administered by the Nantucket Islands Land Bank Commission comprised of five members. The Land Bank is presented as a proprietary fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices at Broad Street, Nantucket, Massachusetts.

B. Basis of Presentation

The County maintains its accounting records in accordance with practices prescribed by the Commonwealth of Massachusetts. The accounting requirements of this system differ in some respects from accounting practices prescribed by generally accepted accounting principles. Certain adjustments and reclassifications have been made to present the accompanying financial statements in accordance with generally accepted accounting principles except for one principal difference. This difference is described below.

Fixed Assets - The County does not maintain, and therefore does not report, a general fixed assets account group in accordance with generally accepted accounting principles.

C. Fund Accounting

The accounts of the County are presented on the basis considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures or expenses and other financing sources and

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

uses. The following funds are used in accounting for the financial operations of the County of Nantucket.

Governmental Fund Types - Governmental fund types are those through which most governmental functions are typically financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities - except activities accounted for in proprietary funds - are accounted for through governmental funds. The governmental funds maintained by the County are as follows:

General Fund - The fund is used to reflect the financial transactions related to governmental activities which are not otherwise accounted for in another fund.

Special Revenue Funds - The funds are used to account for the proceeds of specific revenue sources, the uses of which are restricted to specific purposes.

Proprietary Fund Types - Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The proprietary fund maintained by the component unit is as follows:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

D. Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon thereafter to be used to pay current liabilities. Expenditures, other than interest on long term debt, are recorded when the liability is incurred, if measurable. In addition, expenditures made during the fifteen days following the close of each fiscal year which are related to the prior year are recorded as paid on June 30th. If necessary, certain appropriation balances are carried forward to permit liquidation of outstanding bills and purchase orders in the succeeding fiscal year.

The accrual basis of accounting is used by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Budgetary Data

An annual budget is adopted for the County's General Fund. Comparison of budget to actual is only presented for the General Fund.

The County's annual budget is legally enacted by vote of the County Commissioners.

The County's annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principles (GAAP). Therefore, in addition to the modified accrual basis financial statements, the results of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with the budget.

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is normally employed in government funds. Currently, the County of Nantucket is not on the encumbrance method of accounting.

F. Assets, Liabilities, and Fund Equity

1. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a pool of cash. Cash balances are invested to the extent available and interest earnings are recognized in the General Fund. Certain special revenue funds cash is segregated and investment earnings become a part of those funds.

2. Designated Assets

Certain proceeds of the proprietary fund (the Land Bank) revenue bonds, as well as certain resources set aside for their repayment, are classified as designated assets on the balance sheet because their use is limited by applicable bond covenants. Other designated assets consists of a working capital reserve fund, whereby the Land Bank has entered into an agreement with the Town of Nantucket which requires the Land Bank to establish a working capital reserve fund. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 98E bonds outstanding at June 30, 2001.

3. Receivables and Payables

Receivables are recorded when billed and are shown as a gross amount.

Due from/to Other Funds arises during the course of the operations from the pooling of cash and as funds provide services to each other.

Warrants payable consists of goods and services that have been received or rendered and are to be paid in the following fiscal year.

4. Fixed Assets

Disbursements related to the acquisition of fixed assets are considered expenditures in the year payments are made. Currently the system of accounting for the governmental funds does not provide for capitalizing such expenditures of the acquiring funds. Accordingly, a statement of general fixed assets is not included in the accompanying financial statements.

The assets in the proprietary fund (the Land Bank) are recorded at cost when purchased, or assessed value at the date of gift. Depreciation is computed using the straight-line method with an estimated useful life of between forty and fifty years for buildings and improvements.

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Equity (Continued)

5. Long-term Obligations

Long term debt financed by proprietary fund are reported as liabilities in the appropriate funds.

6. Fund Equity

Reservations of fund balance accounts represent amounts that are legally segregated for a specific purpose. Designated retained earnings is used to segregate a portion of retained earnings for a specific purpose.

7. Memorandum Only - Total Columns

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are prepared only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

G. Revenues, Expenditures, and Expenses

1. Revenues

Generally, revenues of governmental fund types are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual.

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

Revenues for the proprietary fund (the Land Bank) are fee revenue that is equal to two percent of the purchase price of real property and is recognized on transfer. Interest income generated on investments is recognized as earned. Rental income is recognized when earned.

2. Compensated Absences

The County grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. A determination of the amount of sick and vacation leave liability could not be determined; therefore the accrued liability is not reflected on the accounts of the County.

3. Grant, Entitlements and Shared Revenue

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP

A. Deposits

The County maintains a cash pool that is available for use by all funds. The portion of the pool allocated to each fund type is displayed on the combined balance sheet as "Cash and Cash Equivalents."

State and local statutes place certain limitations on the nature of deposits and investments to the County. Generally the treasurer of the County is authorized to invest in the following investments: national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

The carrying amount of the County's deposits with financial institutions was \$2,761,701 and the bank balance was \$2,832,296. The bank balance is categorized as follows:

Amount insured by the FDIC and DIF or collateralized with securities held by the County in its name	\$ 1,362,083
Amount collateralized with securities held by the pledging financial institution's trust department in the County's name	1,470,213
	<u>\$ 2,832,296</u>

B. Due From/To Other Funds

The composition of due from/due to other funds as a result of the pooling of cash at June 30, 2001 were are follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,012,240	\$ -
Special Revenue Fund	-	1,012,240
	<u>\$ 1,012,240</u>	<u>\$ 1,012,240</u>

C. Due from Other Governments

Due from other governments consists of the following:

General Fund:

Nantucket Islands Land Bank (Component Unit)	\$ 19,241	
Town of Nantucket - Trial Court Rent	<u>10,583</u>	\$ 29,824

Special Revenue Fund:

Commonwealth of Massachusetts:

Executive Office of Public Safety	39,810	
	<u>\$ 69,634</u>	

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

D. Fixed Assets

The following is a summary of proprietary fund type fixed assets of the Land Bank, a discretely presented component unit, at June 30, 2001:

Land	\$ 94,211,565
Land Deposits	463,346
Buildings and Improvements, net	475,896
	<u>\$ 95,150,807</u>

E. Warrants Payable

Warrants Payable consists of goods and services that have been received or rendered. At June 30, 2001 warrants payable consists of general fund expenditures.

F. Long Term Debt

Notes Payable

Notes payable at June 30, 2001 are as follows:

Marble Charitable Remainder Annuity Trust:

Principal is relieved upon death of the survivor of the Marble Charitable Remainder Annuity Trust

Interest rate at 6.0632% per annum is paid on a quarterly basis on the unpaid balance \$ 1,700,000

Mary P. Gardner and Donald E. McNamee and the Mary P. Gardner Hummock Pond Conservation Trust

Principal is relieved upon the termination of the Mary P. Gardner Hummock Pond Conservation Trust

Interest rate at 6.5% per annum is paid on a quarterly basis on the unpaid balance 425,000

Mary P. Gardner and Donald E. McNamee and the Mary P. Gardner Hummock Pond Conservation Trust

Principal is relieved upon the termination of the Mary P. Gardner Hummock Pond Conservation Trust

Interest rate at 6.5% per annum is paid on a quarterly basis on the unpaid balance 625,000

Plains Pasture Land Trust:

Principal payments of \$230,000

Due November 19 in each of the years 2000 through 2001

Interest rate at 6.0% per annum is paid on a quarterly basis on the unpaid balance 230,000

Joan P. Craig and the East Harbor Real Estate Trust:

Final payment of \$2,325,000 due in 2006

Interest rate at 6.0% per annum is paid on a quarterly basis on the unpaid balance 2,325,000

\$ 5,305,000

Less: Current Portion

2,980,000

Long Term Debt

\$ 2,325,000

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

F. Long Term Debt (Continued)

Notes Payable (Continued)

Maturities of long-term debt in subsequent years are as follows:

Year Ended	<u>Amount</u>
June 30,	
2002	\$ 2,980,000
2003	-
2004	-
2005	-
2006	2,325,000
	<u>\$ 5,305,000</u>

Bonds Payable

Bonds payable on the Land Bank, a discretely presented component unit, are as follows:

Refunding Bonds, Series D	\$ 2,810,000
Refunding Bonds, 1998 Series E	
Discount, net of accumulated amortization	12,292,658
	<u>15,102,658</u>
Less: Current Portion	585,000
Long Term Bonds Payable	<u>\$ 14,517,658</u>

The Series D Refunding Bonds are dated January 1, 1991. The bonds bear interest at rates ranging from 5 3/4 percent to 7 percent and mature serially from July 1, 1992 through July 1, 2005. The bonds are secured by a first priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue. The bonds are also secured by a municipal bond insurance policy. In addition, Series D Bonds are secured further by a debt service reserve fund.

The 1998 Series E refunding bonds dated July 15, 1998 bear interest rates ranging from 4.25 percent to 5.25 percent and mature serially from July 1, 2001 through July 1, 2019. The bonds are secured by a second priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue. These bonds are also secured by a pledge of the full faith and credit of the Town of Nantucket.

Maturities of long-term debt in subsequent years are as follows:

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)

F. Long Term Debt (Continued)

Bonds Payable (Continued)

Year Ended	<u>Amount</u>
June 30,	
2002	584,870
2003	1,024,870
2004	1,079,870
2005	1,139,870
2006	1,194,870
Thereafter	<u>10,078,308</u>
	<u><u>\$ 15,102,658</u></u>

G. Designated Retained Earnings and Designated Asset Accounts

Designated Asset Accounts

The balances of the Land Bank, a discretely presented component unit, designated asset accounts are as follows:

Cash and Cash Equivalents:

Debt service funds	\$ 1,022,238
Reserve fund	608,000
Miacomet Park 2000	207,217
Security deposit fund	2,300
Marbel reserve fund	286,721
Gardner reserve fund	134,818
	<u><u>\$ 2,261,294</u></u>

Investments:

Certificate of deposits	<u><u>\$ 2,827,417</u></u>
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The Land Bank has entered into an agreement with the Town of Nantucket which requires the Land Bank to establish a working capital reserve fund. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 98E bonds outstanding at June 30, 2001. In addition the Land Bank is prohibited from acquiring additional real estate at any time that an amount equal to one year's debt service in the reserve fund is not on deposit.

COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

3. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

B. Claims and Litigation

In the opinion of County counsel, there is no litigation pending, which, either individually or in the aggregate, is likely to result in final judgments against the County that would materially affect the County's financial position or its ability to pay its obligations.

C. Employee Retirement Systems and Plans

Plan Description

The County, as a member of the Barnstable County Retirement System, participates in a contributory retirement system that is partially funded by employee contributions. Each participating employers' share of the total annual contribution is determined on the basis of active payroll.

The retirement system is a contributory defined benefit plan covering all County employees deemed eligible. The retirement system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. Participation is mandatory for all full-time employees whose employment commences prior to age 65. Eligibility with respect to part-time professional, temporaries or intermittal employment is governed by the local board.

The system provides for retirement allowance benefits. For an employee to be eligible for service retirement, the following conditions are to be met: (1) completion of 20 years of service; (2) for an employee hired prior to 1978, attainment of age 55 as an active member; (3) for an employee hired after 1978, attainment of age 55 as an active member and completion of 10 years of service. Benefit payments are based upon a member's age, length of credited service, level of compensation and group classification. The retirement allowance is determined as a product of the participant's benefit rate times the average salary during the three consecutive year period which produces the highest average times credited service.

A participant who has completed 10 or more years of credited service is eligible for a deferred vested retirement benefit. If termination is involuntary, the participant is vested after 6 years. The participant's accrued benefit is payable commencing at age 55 or may be deferred until later at the employee's option. The system also provide for accidental disability, ordinary disability, and survivor benefits.

Active members contribute either 5, 7, 8 or 9% of their gross regular compensation depending on the date upon which their membership began.

**COUNTY OF NANTUCKET, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2001

3. OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Plans (Continued)

Funding Status

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the retirement system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is independent of the actuarial funding method used to determine contributions to the retirement system.

The last actuarial valuation was prepared by the Segal Company as of January 1, 2000.

The unfunded actuarial liability for the County of Nantucket employees is approximately \$486,700.

Contribution Requirements and Contribution Made

The system's funding policy is governed by Section 22D, 6A of Chapter 32 of the Massachusetts General Laws. Under these sections the system is a "funding system" and has established a state-approved funding schedule to eliminate its unfunded liability. The members of the system are required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability. Amortization of the unfunded actuarial liability is to be based on a forty year schedule ending in 2028 for unfunded liabilities prior to removal of the salary cap and thirty year amortization of the additional unfunded liability for removal of the cap.

The County's contribution to this plan for fiscal year 2001 was \$61,803.

Reporting Policies

The funds of the retirement system are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued, and investments are amortized to value. The accounting records of the retirement system are maintained on a calendar basis in accordance with the standards and procedures outlined by the Commissioner of the Public Employee Retirement Administration.

Trend Information

Trend information showing the retirement system's progress in accumulating sufficient assets to pay benefits when due is required by generally accepted accounting principles to be included in the system's annual financial report. It is not known whether that report will contain the required historical trend information.

COMBINING STATEMENTS AND SCHEDULES

COUNTY OF NANTUCKET, MASSACHUSETTS
COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

				Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	Fund Balances July 1, 2000	Fund Balances June 30, 2001
	Revenues	Expenditures	Other Financing Sources (Uses)			
Deeds Excise Fund	\$ 1,150,133	479,760	\$ (427,602)	\$ 242,771	\$ 1,171,884	\$ 1,414,655
Sheriff State Grant Funds	60,409	\$ 60,371	-	38	983	1,021
Juvenile Federal Grant Fund	-	-	-	-	1,771	1,771
Polpis Road Bike Path Escrow Account	-	-	-	-	(129,429)	(129,429)
Other Escrow Accounts	9,098	10,075	-	(977)	277,338	276,361
Special Projects	-	-	-	-	19,790	19,790
License Plates	65,650	-	-	65,650	107,767	173,417
	<u>\$ 1,285,290</u>	<u>\$ 550,206</u>	<u>\$ (427,602)</u>	<u>\$ 307,482</u>	<u>\$ 1,450,104</u>	<u>\$ 1,757,586</u>

Schedule B

COUNTY OF NANTUCKET, MASSACHUSETTS
SCHEDULE OF TREASURER'S CASH
JUNE 30, 2001

Composition of Cash Balances:

Interest Bearing Accounts:

Fleet Bank	\$ 1,505,872
Nantucket Bank	1,257,072
	<u>2,762,944</u>
Cash Variance	(1,243)
	<u>\$ 2,761,701</u>

Presentation of Cash on Balance Sheet:

General Fund	\$ 31,685
Special Revenue Fund	2,730,016
	<u>\$ 2,761,701</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the County Commissioners
County of Nantucket, Massachusetts

We have audited the financial statements of the County of Nantucket, Massachusetts as of and for the year ended June 30, 2001, and have issued our report thereon dated March 29, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Nantucket, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Nantucket, Massachusetts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Nantucket, Massachusetts in a separate letter dated March 29, 2002.

This report is intended for the information of the County Commissioners, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
March 29, 2002